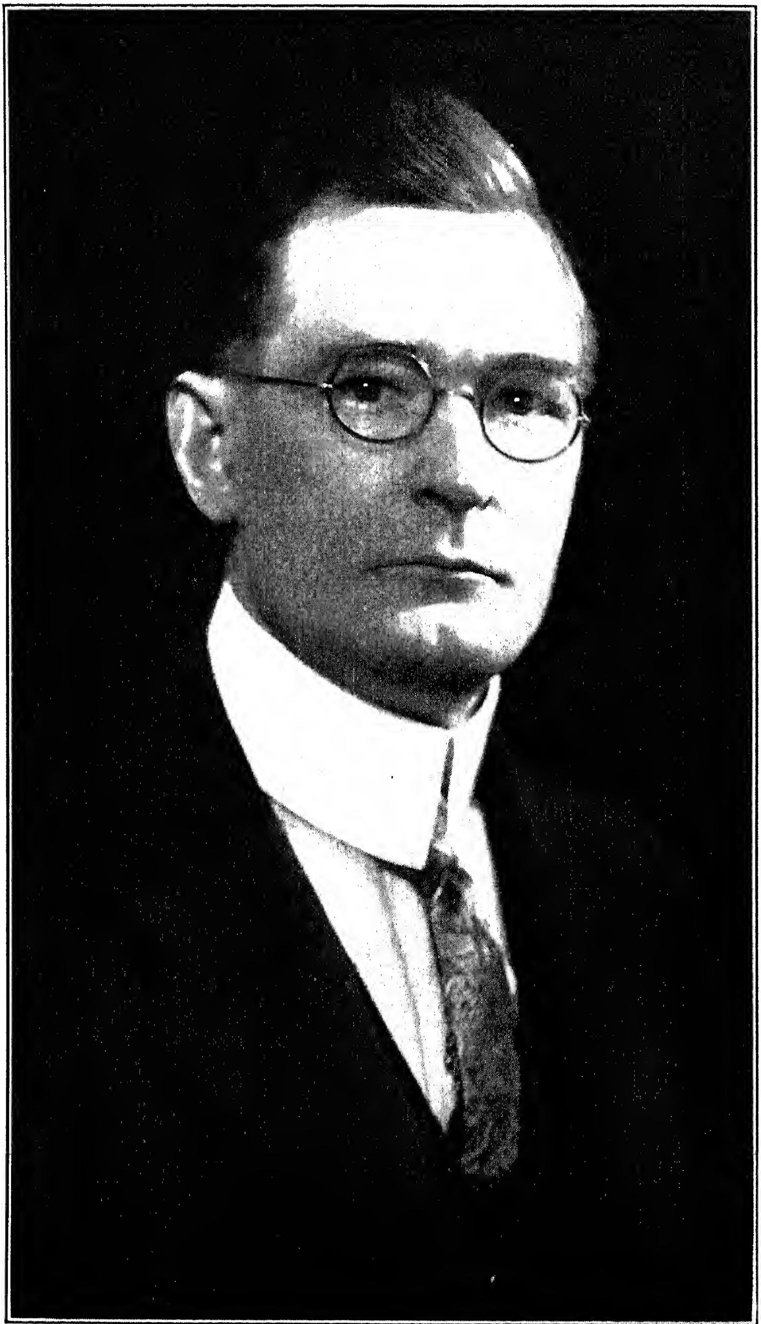
WALL STREET STOCK SELECTOR

Companion to

TRUTH OF THE STOCK TAPE

The new book begins after page 185, where Truth of the Stock Tape ends.



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TRUTH
OF
THE STOCK TAPE

A STUDY OF THE STOCK AND COMMODITY MARKETS
WITH CHARTS AND RULES FOR SUCCESSFUL
TRADING AND INVESTING

BY

WILLIAM D. GANN

IN FOUR BOOKS
EMBRACING
The Preparation and Knowledge
required; Methods of Operating
and Determining Position of
Stocks and Commodities

FINANCIAL GUARDIAN PUBLISHING CO.
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DEDICATED

TO

MY SUBSCRIBERS WHO HAVE ENCOURAGED ME

AND TO THE

THOUGHTFUL STUDENTS OF FINANCIAL ECONOMICS

WHO DESIRE TO FOLLOW PRACTICAL RULES FOR TRADING

INSTEAD OF GUESSWORK AND GAMBLING METHODS

PREFACE

"Receive my instruction, and not silver; and knowledge rather than choice gold. For wisdom is better than rubies, and all the things that may be desired are not to be compared to it."—PROV. 8:10-11.

In addressing you on the subject of investing your surplus funds, I might state that there is no other subject which I could select that so closely concerns your welfare and regarding which you might receive valuable assistance from my instructions.

In the United States a stupendous sum, reaching into millions of dollars, is wasted annually in foolish speculations and unwise investments. This senseless waste can be traced to one and only one source, namely, lack of knowledge. Men and women who would not attempt to treat the slightest ailment, or even adjust so common a thing as a kitchen faucet, but would hand each difficulty over to its respective specialist, the doctor or the plumber, will on the spur of the moment and without the slightest preparation, undertake the investment of thousands of dollars in enterprises about which they understand absolutely nothing. Is it any wonder then that they lose?

I offer you suggestions and advice in the science of speculation and investment in the same spirit as the physician. He would not think of guaranteeing you perpetual life or insuring you against the common ills to which the flesh is heir. But in your difficulties he brings to your aid the accumulated experience of his profession, and a skill and knowledge which required years to accumulate and is ready for your instant use. I do not offer you a beautiful theory which will not work in practice, but give you invaluable advice, which if followed, will insure success in practical everyday Wall Street speculations and other fields of investment.

It has been well said that a writer who writes first for remuneration and secondly because he believes what he writes, will never achieve enduring fame, and that the salesman who does not believe in his goods will never make a success. I believe in the theory and rules that I have laid down in this book for you to follow, because I have tested and proved them.

It is my object in this work to facilitate and focalize the essential principles for practical use. My knowledge comes from over twenty years' experience, in which I have traversed the rough and rugged road that the inexperienced trader's foot must press before he reaches the goal. Hence my object in writing this book is to give to the public something new and practical, not theory alone which would fail in practice.

Read this book carefully several times; study each chart and subject thoroughly, and a new light and knowledge will come to you every time you read it.

If I succeed in teaching only a few to leave wild gambling alone and follow the path of conservative speculation and investment, my work will not have been in vain and I will have been amply repaid for my efforts.

W. D. GANN.

NEW YORK CITY,
January 27, 1923.

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Perhaps one of the wisest things Emerson ever said:

> "Many times the reading of a book
> has made the fortune of a man—
> has decided his way in life.
>
> "To use books rightly is to go to them for help;
> to appeal to them when our knowledge and power fail;
> to be led by them into wider sight and clear
> conception of our own."

TRUTH OF THE STOCK TAPE

BOOK I

PREPARATION FOR TRADING

"No man can learn what he has not preparation for learning, however near to his eyes is the object. A chemist may tell his most precious secrets to a carpenter, and he shall be never the wiser—the secrets he would not utter to a chemist for an estate."—EMERSON.

In 1917 when the United States was forced to enter the war against Germany we heard on every hand "we are unprepared for war." Wilson's period of "watchful waiting" instead of preparing for the inevitable had at last brought us face to face with war without being ready.

Lawyers, doctors, engineers and professional men who make a success spend anywhere from two to five years' time studying and preparing to practice their profession before they begin making any money.

Men enter into speculation in Wall Street without any preparation. They have made no study of it whatsoever. They try to deal in something they know nothing about. Is it any wonder then that they lose?

Speculators and investors who simply guess, follow tips, rumors, newspaper talk and so-called "inside information" have no chance of ever making a success. Unless they follow some well-defined plan based on Science and Supply and Demand, they are sure to lose.

Over twenty years of study and experience places me in a position to give you a definite, practical set of rules and instructions which will lead to success if you follow them.

No great success or gain can be expected unless a man is willing to study and learn by past experience. You cannot get something good for nothing and must pay with time, money, or knowledge for success.

CHAPTER I

WHAT IS TAPE READING?

Tape reading is a study of fluctuations of stocks as they appear on the stock tape and the ability to judge the ones that are in a strong or weak position and determine the psychological moment to buy or sell. We must also be able to determine the stocks that are inactive and show no definite trend.

Tape reading is psychological because the mind acts and is influenced by everything it sees, hears, smells, tastes or feels. In reading the tape, we are not influenced alone by what we see, but by what we feel or sense, which cannot always be explained or a satisfactory reason given because it is "intuition."

What is *intuition?* You often hear traders say "I am buying or selling this stock on my intuition. The best definition I can give of intuition is that it is *instantaneous reasoning*. It is that something which tells us when we are right or wrong before we have time to reason it out. The way to benefit through intuition is to act immediately, and not stop to reason or ask why. That is what a good tape reader does.

The tape registers the dominating force currents from business all over the country. It contains the condensed opinion of the majority and weighs the hopes and fears of manipulators, the public, and business men. That is why it is a reliable guide and business barometer, if you know how *to read it correctly*. And here is where the "rub" comes. *The tape tells the truth, if you can interpret it correctly.*

Tape reading requires a strong will power and a mind that, when it once sees the trend of the market, cannot be changed until the tape shows the change and is not influenced by news, false rumors, tips, or hearsay. Being able to read the tape correctly and act on your judgment is an entirely different proposition, which I will explain later on.

CHAPTER II

CAN MONEY BE MADE IN WALL STREET?

OR

CAN THE STOCK MARKET BE BEATEN?

You have often heard the expression "99 out of every 100 who go into Wall Street lose." Then one man out of every hundred must win. Therefore, my answer is that Wall Street can be beaten and that you can make money by speculating and investing along conservative lines and by trading in a few selected stocks.

But how are you going to do it? You must have knowledge and science. Know! Know!! Know!!! more than the other fellow or the common trader. Find out how successful men in Wall Street have made their fortunes; then go and do likewise. Remember that "Knowledge is Power."

Statistics show that 98 per cent of business men fail sooner or later. Then why do men go into business? Because 2 per cent of them make fortunes out of general business and keep them.

Just ask yourself the question, "Who gets all the money that is lost in Wall Street?" It does not evaporate; for every dollar lost some one makes a dollar. Then the way to make it is to trade the same way the fellow does who gets what you lose. Remember that every time you buy some one sells and every time you sell some one buys.

The majority of people who buy stocks lose money in the end. Why? Because they guess, follow newspaper dope, fake tips or inside information. They do not make safe investments; they gamble on 10 or 15 points' margin. They nearly always buy near the top, and, of course, nothing can keep them from losing.

The general public do not sell stocks short; therefore they are always wrong in a Bear market. When a man loses money buying stocks and refuses to sell short, he can always look back and say "if I had only sold when I bought, look how much profit I would have made." Then, why doesn't he learn to sell short? (In another chapter I will show you the proof that it is safe and practical to sell short.)

At the present time, there are over 700 stocks listed on the New York Stock Exchange, and if you group them under their proper headings, there will be over 20 different groups. If you study the action of all the stocks in one group and watch them on the tape, you will find it is too much for you, and that you cannot make money trading in all of the stocks in any one group, much less by trying to trade in several groups.

Tape reading requires *patience,* and the essence and value of it is *concentration.* There is no such thing as a man being born with a mind that can concentrate on 10 things at one time, much less 700. Then *success* depends upon *selecting* a *few stocks* and *concentrating* upon them.

CHAPTER III

HOW TO READ THE STOCK TAPE

The general opinion prevails with the public, especially among traders outside New York City, that the proper way to read the tape is to stand at the ticker and watch every quotation as it comes out. Nothing is more erroneous.

Expert tape readers are very few and far between. It is a study of a lifetime. While the tape shows the trend of the market, there are so many minor changes and quick reversals that the average man can not tell whether the big trend has turned or whether it is only a minor change that will last a few hours, a few days, or a few weeks before the main trend is resumed again.

If a trader goes into a broker's office to watch the tape, he will find anywhere from two or three to a dozen traders standing around the ticker, all talking from time to time and expressing their opinions or what they hear on different stocks. He must also listen to the gossip that comes over the news ticker, floating rumors from the street, and information about buyers and sellers that comes from the floor. With all of these disturbances, there is not one man in a million that can concentrate enough to tell anything about what stocks are going to do.

Besides, if he is able to pick a winner, and starts to buy or sell, he will be influenced by what someone says who is standing around the ticker and the result is that he will not act at the right time. Then it is impossible to beat the market by tape reading in a broker's office.

No matter how strong a man's will power may be, he is influenced, consciously or unconsciously, by what he hears or sees, and his actions or executions are interfered with accordingly. This is the reason why a few big traders, like Livermore, have a private office with a ticker, where they can be

away from all outside influences and watch the tape, form their impressions, and act on them without being influenced by things they do not want to hear. But only traders who have a very large amount of money and can devote all of their time to the market and tape reading can afford to have an office and a ticker where they can study the tape alone without interference. The average man cannot afford this.

Then it is *necessary* to *know how* to *read* the *tape without seeing it,* or without watching it all the time. Market movements of importance, i.e., the long swings, require weeks and sometimes months to get ready, or for accumulation and distribution to be completed. There is always plenty of time to buy or sell one or two days after a big move gets under way. Therefore it is not necessary to watch the tape every day, or every hour, in order to determine what stocks are going to do. It can be read just as easy and better after the market closes. The tape is simply a record of prices, and if you have this record of high and low prices made during the day, you can form your judgments from it.

Market movements depend upon Supply and Demand. It requires volume of trading in proportionate large or small amounts to move stocks up or down. The volume of sales to the stock market is the same as the steam is to the locomotive or the gasoline is to the automobile. The sales are the motive power which drives prices up or down.

For example: United States Steel has five million shares of common stock, and it requires a very large volume of sales to move this stock up or down very much. General Motors has fifty million shares of common stock and its fluctuations are confined to a very narrow range, because the buying or selling of 100,000 shares will not move it more than a point, if that much, while the buying of 100,000 shares of Baldwin will often move it up or down five or ten points, because there are only 200,000 shares of Baldwin outstanding and seldom ever over 100,000 shares of stock floating in the street.

Therefore, in order to understand the meaning of volume, you must know the total capital stock outstanding and the floating supply of the stock you are trading in. Mex Pete for several years has made moves of from 50 to 100 points while U. S. Steel has not moved 10. The reason was

that the floating supply of Mex Pete was very small while the floating supply of U. S. Steel was very large.

Another thing the tape reader must know is the financial position of the stock, whether it is weak or strong. It is not easy to frighten investors and traders and start a selling move in a stock which is generally known to be in a very strong financial position. Neither is it easy to force a stock by manipulation to very high levels that is generally known to have very little intrinsic value. Many stocks, known as *"Mystery Stocks,"* which are supposed to have large concealed assets, often have big moves up or down because the public buy or sell on the hope that something favorable is going to happen or on the fear that something unfavorable is going to happen.

As a rule, a stock that pays extra dividends or cuts a melon, is talked about and rumors circulated months and even years before the actual event takes place. Then, of course, when the good news comes out, it has been anticipated and discounted and the stock declines instead of advancing, as the public expect.

The tape is the great scale in which the weight of all buying and selling is weighed and the balance of Supply and Demand shown by the loss or gain in prices. When *Supply exceeds Demand, prices decline* to a level where Supply and Demand are about equal. At this stage fluctuations become narrow and it may require weeks or months to determine which way the next move will be. When *Demand exceeds Supply, prices advance.*

Then how can the man who stands over the ticker day by day determine a big move before it starts? He can not. The ticker will fool him once or twice each day while it is getting ready. It requires time to buy a large amount of stock when accumulation is taking place, and it requires time to distribute a large amount of stock at the top. One day, one week, or one month is not enough for a big move. Sometimes it requires several months, or even a year, to complete accumulation or distribution. While this process is going on, you can keep up a chart of the stock you are interested in and judge much better when the big move starts, than you can by *watching* the *ticker every day.*

CHAPTER IV

HOW THE TAPE FOOLS YOU

The tape is used to fool traders, for often when stocks look the weakest on the tape, they are the strongest as accumulation is taking place. At other times when they are booming and very active and appear the strongest, they are really the weakest, because the insiders are selling while everybody is enthusiastic and buying.

The man who watches the tape daily is influenced by his hopes and fears. He can not help it. Suppose that the market has been strong all day, and the very stocks that he is interested in are gradually moving up, when suddenly, around 2:30 P.M. the market starts to break. It goes down for fifteen minutes and active stocks are off a point from the highs all around. It does not rally and by five minutes to 3, or closing time, they are off another point. The volume is heavy and he decides that something is wrong and he sells out at the close. The next morning stocks open up from ½ to 1 point. Why? Because the selling in the last half hour the day before was simply the result of profit taking and all of the traders who were scared sold out at the close rather than carry them over night, the result being that the supply of stocks to be offered next morning was limited, and the reaction had in no way interfered with or changed the main trend.

One great mistake the man makes who watches the ticker all the time, is that *he trades too often*. He gets in and out sometimes several times during the day, and each time he pays commission. If he buys or sells higher or lower each time, even though he has made profits on his trades, he is increasing the percentage against him. A man who makes 300 trades in the year, or, say, one for each market day, must pay an average of ½ point getting in and out. It cannot

be done for less. Then ½ point on 100 shares 300 times, is 150 points for expenses during the year. Where is the man who can make money with such a handicap? Suppose a man makes one trade each month, or twelve trades during the year. His expenses are only six points against the scalper's expense of 150.

Another important fact traders overlook is that the more times a man gets in or out of a market, the more times he changes his judgment. Therefore, the percentage of his being wrong increases. In a bull or bear market, there are often big reverse moves opposite to the main trend, from which big profits can be made, but a man can not catch them by jumping in and out every day. He must wait until he has a real cause and sufficient reasons, based on facts, before he makes a trade. If he jumps in or out on hope or fear, he will not only *make losses*, but he *will miss* the *real opportunity when it comes*. The daily moves generally mean very little to the main trend of the market.

OVERNIGHT BUYING OR SELLING ORDERS

As a rule, out-of-town buying orders accumulate over night. If the buying orders are in excess of the selling, stocks will advance for the first thirty minutes, while the public's buying orders are being filled. Then a reaction will take place. Prices may go lower than they were at the opening; drift along in an uncertain way until about 2:30 P.M. when the professional crowd on the floor decide to even up; then either advance or decline for thirty minutes, according to whether the floor traders are long or short.

Remember that the professional floor traders have no commission to pay. You can buy a stock that goes up ½ point; then sell out and you are just about even, after paying taxes and commission, while the scalper on the floor makes ½ point, because he saves the commission.

The newspapers on Sundays usually carry a review of the market for the past week and the public, after reading all of the news, send in their buying and selling orders for Monday morning. If the orders are very heavy, they will influence the market for thirty minutes and sometimes one

hour. After this, the trend of the market will be the opposite.

A market that has been strong during the week or especially during the latter part of the week and closes strong on Saturday, is likely to open strong Monday and finish the advance in the first hour on Monday. Therefore, be very careful about buying stocks on Monday morning's strong opening. Public buying orders which accumulate over Sunday are all executed Monday morning and as soon as this demand is supplied professionals start selling and the market has a reaction in proportion to its condition and position at the time.

Even if it is a bull market and going higher you will be able to buy cheaper on Monday afternoon or Tuesday when the professionals are hammering prices down after the public buying wave has been satisfied.

The above rule is reversed in a declining market. If stocks have been weak all the week or during the last two or three days of the week, and close at the low on Saturday, forced selling by the public will come in Monday morning and cause lower prices during the first 30 minutes to one hour. After this pressure is off, the market will rally. Therefore, it pays to sell on a strong rally Monday or to buy on a weak market on Monday morning. This rule of course applies to normal markets.

FALSE HOPES

Another point, when a man is long or short of the market, and has a loss, it is but human nature to hope that the trade will go his way. Suppose he is called for margin early in the day. He tells his broker that he will either put up the margin before the close or sell out his stocks. The result is he waits all day, and the market fails to rally. The last hour comes, and hope gives away to despair and he sells out at the close, which causes the market to close weak and near the bottom, because hundreds of people are doing the same thing at the same time.

The same rule applies to people who are short of the market. Stocks start advancing early in the day, and they wait for

a reaction on which to cover. They look for a reaction around the noon hour, but it fails to come. Again around 2:00 P.M. the market is stronger, and they hope for a reaction, but the advance continues, with the result that near the close all of the shorts get frightened and buy in their stocks. Of course, the market closes on top and is left in a weak technical position, and the next day the reaction comes.

For a trader to succeed, he must study human nature and do the opposite of what he finds the general public does. The first day of a decline no one worries much, because they consider it a natural reaction. A market will often start declining on Wednesday. On Thursday the decline continues, and the traders begin to sit up and take notice and think they had better get out on the next rally. But Friday comes, and no rally; instead stocks get weaker. Why? Because people who would not sell on the first or second day of the decline begin to sell on the third day, and by Saturday the whole crowd gets scared and decides to get out and not go over Sunday. The result is that prices will break badly in the last hour and close near the bottom, while the wise trader or tape reader who knew his business sold on the first indication of weakness the first day and did not wait until everybody was selling.

This same rule applies to declines and advances lasting weeks or months. The longer the market goes one way or the other the greater the buying or selling in the last stage, because *hope* or *fear increases* as the market *advances* or *declines,* and it is *hope* and *fear, not sound judgment,* that most people trade on.

STOCKS DISCOUNT FUTURE EVENTS

The stock market is an accurate barometer of business conditions. Stock prices are nearly always six to twelve months ahead of business conditions. First bond prices rise; second stocks advance; third comes business boom. The same happens in a decline. Stocks will be down six to eight months while business is booming, because they are discounting the future business depression.

Market movements, that is, the main swings, are the

result or effect of causes which, as a rule, exist long before the effect is known to the general public. In most cases, news is discounted before it comes out and seldom has much effect after it is generally known. Either good or bad news that is expected usually falls flat as far as the effect on the market is concerned.

For instance, an extremely good or bad quarterly or annual report on a stock comes out and the market does not go up or down on it for the reason that it is not news to those on the inside. They knew it thirty to ninety days beforehand. Therefore, when the public gets the news and acts on it, it is too late, for those on the inside who "know" have already discounted it.

If bad news comes out suddenly and stocks start selling off in large volume, then it is safe to assume that the market is going lower, that the public is long of stocks and the insiders are out. If good news appears and stocks start down, it shows that it has been discounted. Your charts will show whether the market is in a period of distribution or accumulation.

SUDDEN UNEXPECTED NEWS

Sometimes sudden, unexpected events happen unforeseen. For instance; the earthquake in San Francisco in 1906 was wholly unexpected and unforeseen by either the public or the insiders. It caused great loss and damage to property, and the market started breaking immediately after it, and declined for several weeks until it discounted the damage done to the various properties affected in that territory. When news of this kind comes out, that the market has not had time to prepare for, its full weight and effect must be felt after it comes out.

On February 3, 1917 Germany suddenly and without warning declared the U-Boat war against the United States. The stock market had not fully discounted this event because neither the general public nor the insiders knew it was coming. Once the news was out, everyone knew that it meant that the United States must enter the war against Germany. Therefore, it was bad news which had not been fully discounted

and the market had yet to measure its effect. The result was that stocks opened off anywhere from 5 to 20 points, but supporting orders had been placed and the buying by shorts afforded enough support to stop the decline in the first hour of trading.

When a move of this kind occurs and a market opens away up or down, making a wide range, it is always well to sell out long stocks or cover shorts and wait, because in doing this you are following what the big traders do. On Febrauary 3rd, after you saw the market open down on heavy selling and you watched it for thirty minutes and saw that prices did not get much lower than the opening, it would be an indication that prices had opened at a level where there was support and that a rally would come. If you were short, the proper thing to do would be to cover at the market, then wait and see how stocks acted on the rally that day and the following day. If the rally was small and stocks again declined easily and began to break the low levels made on the day the bad news came out, it would be an indication that prices were going lower.

ELECTIONS

You will find it of great value if you will go back over the years of Presidential elections and study the action of the market and the formation of it on the chart in the early part of the year and again just previous to the election and following it. In most cases you will find that the event, whether considered good or bad, was discounted beforehand.

There is seldom ever a presidential year but what at some time there is a scare and severe decline. Public sentiment gets mixed. They decide the Democrats are going to win and the market starts in to discount it. However, it makes no difference whether there is a Democratic president or a Republican. If stocks have been distributed and are in the hands of the public, they will go down during a Republican administration. We have had just as many panics when a Republican president occupied the White House, as have occurred when the Democrats were in power. It all depends upon at what level prices are, and the condition of affairs

throughout the country. This will be plainly registered by the tape and your chart will show it. If not, wait until you get a clear indication.

An extreme decline occurred in July and August, 1896, which was known as the "Silver Panic." The whole country got scared and decided that Wm. J. Bryan was going to be elected and that his silver dream would become a reality. Investors and traders sold stocks regardless of value and on August 8th, the average prices of industrial and railroad stocks reached a level which was the lowest from that day until the date of this writing.

In 1912, when Wilson was elected for the first time, the stock market advanced in September and October previous to the election, because the Republicans were convinced that the Democrats would not win. Therefore, they did not create any scare to start the public selling stocks. Of course, after Wilson was elected, which really was an unexpected event to investors who believed and feared that the "d—— Democrats" would ruin the country, they then began to sell stocks and discount the Democratic administration. The war followed in 1914 and completed the liquidation and made it even worse than it would have been. But this decline in stocks would have taken place even though a Republican had been in power, for the good and sufficient reason that prices were high, and that stocks had passed from strong hands into weak, and the general condition of the country was not such as to warrant the existing level of values at the time of the election.

AFTER-ELECTION RALLIES

When any important election, either presidential or otherwise, takes place, and the market has pretty well discounted it, but the general public throughout the country figure that the event is favorable, they, of course, send in buying orders the next day after election and stocks are strong until this demand is satisfied. It will always pay you to wait two or three days after election and see whether the market continues to move in the same direction after election as it did before. Stocks were strong the first day after

Wilson was elected the first time, but the decline started promptly after public buying orders had been filled. Always be careful of buying on top of after-election rallies. In the same way, if stocks open off and decline the first two or three days after election, be careful about selling them, as it may be only the public selling because they are scared and the insiders may support the market and start an advance.

CHAPTER V

HOW STOCKS ARE SOLD

When new companies are formed and capital is needed, the stock has to be sold to the public, and there is no difference in the method of selling stock and the method used by business men in selling their goods. A good business man advertises his goods and that is what the manipulators do. When they wish to distribute stocks and get them into the hands of the public, they use the newspapers in every way possible to advertise the stock. Their fluctuations are given wide publicity and everything possible is done to attract the public.

It requires wide fluctuations and activity to entice the public to take a hand. They may pay very little attention to a stock selling around 40 when it is only fluctuating 5 or 6 points in three or four months, but when this same stock reaches 150 and begins to fluctuate 5 and 10 points each day, everybody talks about it. They see great opportunities for making big profits and begin to trade in it. The result is that the wide publicity and advertising induces the public to buy all the stock at a high price. Then the decline starts. They hold on and hope, and nothing much is said about it until the stock gets near the bottom, when all the bad news comes out and everybody talks about it.

THE WISH IS FATHER TO THE THOUGHT

When you read the opinion of any man, whether it be a newspaper writer, the president of some big bank or the head of some large corporation, consider and give due weight to the fact that when he talks optimistic, he has something to sell to the public and is not likely to talk in a way to hurt his own business.

Many years ago there was a Mr. B. in Wall Street who gathered a lot of information and sometimes wrote for the newspapers. He was well known and often visited different brokerage offices, and traders eagerly sought his opinion. They would say "Mr. B., what do you think of Union Pacific?" He would reply: "I think it is going up; anyway, I hope it does, for I am long of it." Now, that was his reason for thinking the stock would go up. He owned some of it, and his hope and wish was that it would advance. He certainly did not feel like telling the other fellow that he believed it was going down. If he did, he might start a selling wave that would hurt his own interest.

OVER-OPTIMISM

If you have read the newspapers carefully over a long period of years, or if you will go back and look up records, you will find that prominent business men who are heads of large corporations, are nearly always optimistic. Panics come, and depressions lasting from one to five years, with stocks declining anywhere from 25 to over 100 points, yet these men are always optimistic. Do you believe that they are so far wrong in their judgment that they can not see the trend at the time? Certainly not. They have goods to sell. They must conceal it from the public and talk for their own interests.

I can not recall the time when the officials of the U. S. Steel Corporation were ever pessimistic. Yet, the stock has passed its dividend several times and suffered severe depressions, which as far as the records are concerned, were all unforeseen by the directors.

It is a good thing to be an optimist, but whether it be in business or the stock market, it is the truth that helps and protects, and not false hopes and unwarranted optimism. Hopes will not keep the margin call away from you in a panic. The only way to avoid these uncomfortable conditions is to go with the trend of the market and not against it.

The newspapers, as a rule, are against printing anything of a pessimistic nature. In 1920 and 1921 when I issued my forecast on general business conditions, I had based it

on the truth and scientific facts. It showed that very depressing conditions were coming in 1920 and 1921, but most of the newspapers refused to publish my predictions. Yet they were all fulfilled with remarkable accuracy.

Forewarned is forearmed! It is certainly better to tell the public before depressing conditions start that they are coming and let them prepare for them, than to wait until the crisis is on and then tell them—as the newspapers do—what caused all the trouble. Every effect is the result of a cause, and the cause must exist long before the effect can be seen by the general public. The proper thing to do is to determine the cause and act on it, for if you wait until you can see the effect, loss in the stock market is certain.

TRADERS APE

After a man has been around Wall Street for twenty years and watches the actions of traders and listens to what they talk about, he will be convinced that the origin of man was certainly from the monkey or the ape, because the average trader simply apes some leader, repeats what he heard some great man say, believes it and applies it to his own case to increase his hopes or assuage his fears.

The late Mr. Morgan once said, "A man who is a bear on this country will go broke." I have often heard traders in a brokerage office talking bullish and buying, say, when a conservative man would warn them that bulls sometimes make money and bears sometimes make money but that a hog never makes anything: "Don't sell stocks short. A man who is a bear on this country will go broke." When Mr. Morgan, whose opinion as a business man is worthy of respect, made this statement, he was not talking about the stock market at all. If he had been, he would have said that the man who is a bull at the top of markets, which occur every few years, is sure to go broke, and the man who is a bear at the bottom is sure to go broke.

If traders would only use a little "horse sense" and do their own thinking, stop aping and swallowing all the newspapers tell them and analyze the reason or the motive behind the men who talk optimistic at the top and pessimistic at the

bottom, they would make a great deal more money. To make success in the stock market you must do your own studying and thinking. Be neither a bull nor a bear, and no matter whose opinion you follow, you will be much better off if you can verify it by your own study of charts, which show the conditions as revealed by the tape, and the thoughts and opinions registered by the majority, and not the opinion of one man or one group of men, no matter how strong they may be.

The Standard Oil interests might be very bullish, and talk bullish. They might be honest and conscientious about it, and might be backing up their opinions by buying Standard Oil stocks, but the tape will register the buying and selling of all the people in the United States, and if that force of supply and demand shows that the selling of the many is greater than the buying of the few, the stock will decline until it reaches a level where demand exceeds supply.

SIGNS OF THE TIMES

The Bible says "There is a time for everything." All the laws of Nature teach this. There is a time to sow and a time to reap. The four seasons of the year teach us that there is a reaping time and a sowing time, and that we can not reverse this order of Nature's laws. Man does not try to grow oranges on Greenland's icy mountains; neither does he expect to cut ice from the tropical rivers in Florida, because it is out of season, time, and place. It is the same with the stock market. There is a time to buy and a time to sell, and when this time comes, neither bunches of bears nor bevys of bulls with hot air, hope, optimism, extreme pessimism, depression or bad reports, can force prices above or below the zones of Supply and Demand, out of season. You must learn to go with the tide, and not against it. Discern the signs of the times, and do not get caught in the undertow when the tide is flowing out. Those who hesitate and are late in buying or selling in the last stage invariably have to take losses.

CHAPTER VI

YOUR WEAK POINTS

Man know thyself! It has been well said that the greatest study of mankind is man. Experience is the only school in which most of us learn. Therefore it is necessary to analyze the cause of our mistakes much more carefully than our successes. A great success, either in business or the stock market, is not attained over night.

> "The heights by great men reached and kept
> Were not attained by single flight,
> But they while their companions slept
> Were toiling upward in the night."

Mushroom growth is followed by mushroom decay. A man who suddenly becomes wealthy over night or by a master lucky stroke in the stock market, seldom keeps it. It is the old story: "Easy come, easy go." The man who makes a success and keeps his money is the man who, after years of experience, has profited by his mistakes and schooled himself against his weak points.

To make a success in speculation, you must master yourself. You will find that you are either a natural born Bull or a natural born Bear, i.e., you either always hope and believe that stocks will go higher than they do, or you hope and believe that they will decline lower than they do. Then, you must discount your weak points in trading, and know that a lot of your judgment is not judgment at all, but the result of your natural weakness or inclination for one side or the other. Learn to see things in a normal state and do not exaggerate either on the bull or bear side.

Some men will find that they have too much nerve; are too hopeful; therefore they overtrade. Others will find that they lack nerve or courage and are afraid to buy or sell

enough at the right time. These weak points must be overcome. You must learn to trade so that there will be no hope and no fear when you enter the market. You enter it as the result of deliberation and upon what you believe to be the proper basis for buying or selling. But you must remember that you can be wrong and that the way to *protect yourself against wrong judgment* is to *place a stop loss order at the time you make the trade.* Then you do not have to hope it will go your way or fear that it will go against you, for you know that your loss is limited, and if the loss comes, you will be in a position to make another trade later which will probably prove profitable.

CHAPTER VII

ESSENTIAL QUALIFICATIONS

PATIENCE

Patience is a virtue, especially in the stock market. Acquire it if you can. You must have patience to wait for the right opportunity to come, and not be overanxious and get in too soon. Once you buy or sell a stock and it starts moving in your favor, you must have patience to hold it until there is a good reason or sufficient cause for closing the trade. Never close a trade just because you have a profit; do not become impatient and get out for no real reason. Every act, either in opening or closing a trade, must have a sound basic cause behind it. Hopes and fears must be eliminated. There is no use selling a stock because you fear it is going down, nor buying it because you hope it is going up. Look at your charts and see which way the trend points and follow it. If no definite trend is shown, use your patience and wait.

NERVE

Nerve is just as essential as patience; in fact, nerve is the equal of capital. In getting my experience, I have been broke over 40 times, i.e., I have lost all of my money, but there never has been a time yet when I lost my nerve. Years ago, when I was experimenting and working on methods for forecasting the market, I would get in the market wrong and lose all my working capital, but I never let it get my "goat." I studied very carefully how I made the mistake and what the cause of the loss was. In this way, I profited by every mistake and loss, and was enabled to perfect my method of forecasting and trading so that I could make a success.

Looking backward brings nothing but regrets. I always believe in facing the future with nerve and hope. But let the nerve and the hope be based on some sound principle that will prevent costly mistakes of the past. During my career I have seen many traders who had made one mistake after another and suffered severe losses, and still had some capital to work with but when an opportunity appeared, they lacked the nerve to act. In cases of this kind, the nerve would have been more valuable than capital.

KNOWLEDGE

In the early part of my career I made some great successes, and what might be called lucky strikes. I made a lot of money easily and then I spent or lost it easily. But I did not give up or lose my nerve. I always figured that I was a better man after each reverse, because I had acquired experience.

Experience is the only school to learn in and the burnt child is the one who knows the pain from having put his fingers in the fire. Mistakes are all right and hard to avoid. They are good for us, because if we profit by them, they prove valuable. But it is wrong to make the same mistake the second time. Therefore, use every mistake as a stepping stone to progress; analyze each mistake you make and the cause of every loss, in order to avoid repeating the same error in future.

With each experience I had, good or bad, I accumulated knowledge, and after all, knowledge is the greatest power of all, for capital will always come to knowledge. Several years ago a brokerage failure occurred suddenly and unexpectedly, and I lost all of my money. To the ordinary man's way of figuring I was broke, but as a friend of mine expressed it at the time, "He may be without cash, but the knowledge that he has of the stock market is worth hundreds of thousands of dollars and in a short time he will turn that knowledge into cash." I did come back quickly in a few months' time on a small capital, because I had a greater knowledge of the stock market than ever before, and knowing, by experience, that I had a method based upon mathematical

science which could be depended upon to forecast the stock market, I had the nerve to pyramid and press the market hard when my science showed that I was on the right side. What would have been the result had I been without knowledge and only filled with hope? I would have stayed broke, as other traders do who follow the fairy phantom of "hope" in Wall Street trading.

HEALTH AND REST

Good health is essential to success in any line. It is one of the great assets for success in the speculative market. At least twice a year a man should close up all of his trades, get entirely out of the market, and go away for a vacation or stay away from the market and rest up. Let your mind rest and your judgment get clear. The man who continually sticks to any business too long without a rest or change gets his judgment warped. He gets in a rut and sees things from a one-sided point of view.

When you are in the market on either side, it is but human nature for you to hope that it will go your way, and you, therefore, give greater weight to any event that seems to indicate a favorable move to your side. When you are out of the market, you are able to see things as they really are, and judge the market without a distorted view, with hope and fear eliminated. Traders who are continually in the market day in and day out and never allow any time to elapse between trades, sooner or later lose all their money.

I know one trader who follows scientific forecasting and makes a success. He never makes more than five or six trades in the year. If he buys stocks during the winter or early spring for a rise, and the advance materializes as he expected, he sells out and takes his profits. Then he leaves the market alone, sometimes for several months. In the summer, if he sees indications of a bull or a bear market starting, he gets in again, and if the market moves his way, he may follow it up and pyramid for several months. When he gets an indication that the end is near, he closes up his trades, takes his profits, and like the wild geese, wends his way to the sunny South. Sometimes he stays all winter in

Florida, hunting and fishing; then goes over to Hot Springs, Arkansas, takes a course of baths; returns to Wall Street in good health and fit for another tilt with the Bulls and Bears.

He makes a specialty of trading in certain favorite stocks. He studies them closely and watches for certain signs that he considers almost infallible. When these signs come, he acts. He does not hurry until the time comes, but when it does, then there is no hesitation—he buys or sells. He keeps cool, calm and collected, and waits for the time to open or close a trade.

Another thing he never does is to expect any fixed amount of profits or set any specific time for getting out. I have often seen him make a trade and it would go against him. He would get out and say, "Well, I guess I'll go back to my office and watch them for awhile." Sometimes it would be days or weeks before he made another trade, but when he did, it was based on some good sound reason, and 90 per cent of the time the second trade proved a winner. But suppose he had held the first trade he made and hoped it would move his way. His judgment, being biased, would have become more unreliable all the time. There is nothing like being out of the market and looking them over from an impartial viewpoint. When there is no definite trend, stay out, watch and wait, and your patience will be rewarded.

BOOK II

HOW TO TRADE

"The greatest achievement was at first and for a time a dream. The oak sleeps in the acorn; the bird waits in the egg; and in the highest vision of the soul a waking angel stirs. Dreams are the seedlings of realities."—ALLEN.

Have a well-defined plan before you start trading, then follow that plan, as the architect does in building a house, or the engineer in constructing a bridge or driving a tunnel.

The man who changes his ideas or his plans, which are based on something practical, for no other reason than that he hopes or fears the market will do something different, will never make a success.

Don't guess or follow tips. Very few people from the inside ever give out good information. Have a reason for every trade; don't trade on hope. If that is the only reason or excuse you have for holding a stock, get out quickly and you will save money. Conditions change and you must learn to change your mind.

First find out if a rule is practical; if it is based on sound reasoning. Go back over past records and convince yourself that it pays to use it. The valuable part of the rules that I have laid down and the theory that I am teaching is that it can all be proved. You do not have to accept my word for it. Look up the records; examine the facts and satisfy yourself.

CHAPTER VIII

RULES FOR SUCCESSFUL TRADING

If you can not follow a rule, do not begin speculating or investing, as you are sure to lose.

Learn to adhere strictly to a rule or do not follow it at all.

The following rules should be carefully studied and applied in your trading:

1ST: CAPITAL REQUIRED

You would not try to run an automobile and start out to travel several hundred miles unless you knew how much gasoline it required to run a given number of miles. Yet, you go into speculation without knowing one of the most important things,—the amount of capital required to succeed and make speculation a business.

Do not try to get rich in a few months or a year. A man certainly should be satisfied if he can acquire a competent fortune over a period of ten to twenty years. Often we have one year when a man with nerve and knowledge and a small amount of capital can make a fortune. I have been able to pile up enormous profits in a short time by pyramiding, but this can not be done continuously and I do not claim to be able to do it. What I am trying to teach you is a safe, sure way, which will yield more profits than any other business on earth if you will only be conservative and not make speculation a wild gamble.

A man may go into business and lose all of his money and then years pass before he has another opportunity to make a large amount of money in that or any other business. Yet, in the speculative markets opportunities return every

year, provided a man has studied enough to see them when they appear. The chances for gain are so unusual and so many great opportunities do come in Wall Street that the average man gets greedy, gambles and does not wait between times for the real opportunity.

People expect more profits in speculation than in any other business. A man who would be satisfied with a return of 25 per cent per year in a business is not satisfied if he doubles his capital every month in Wall Street. Many people are satisfied with 4 per cent in a savings bank, but when they come to Wall Street and put up $1,000.00 they expect to make $1,000.00 in two or three weeks. They are the people who buy on a 10-point margin and always lose.

Do not expect the impossible in speculative markets. Great and unusual opportunities, when you can start at the bottom or top of a move, pyramid and make a fortune, occur every few years. Two or three times each year, when stocks are at the extreme high or low, there are opportunities for making 10 to 40 points' profit.

You may think an average of ½ point a day, or 3 points a week, is too small a profit to bother with. Yet, in 52 weeks it would amount to 156 points, or $1,560.00 a year, on a 10-share trade. Make speculation a business, not a gamble. Go into it to stay, not to gamble all on a few trades, lose and quit. Be patient. If you can double $1,000.00 the first year and keep doubling it for ten years, you would have over a million dollars.

Active leading stocks make major moves of 10 to 40 points three to four times a year. If you are able to catch half of these major moves on conservative trades, your profits will be enormous. Do not try to catch all the minor fluctuations. The inside manipulators themselves do not get one-tenth of the minor fluctuations. Why should you expect to?

In beginning to trade in stocks the most important thing to know is the amount of capital required. Many traders make the mistake of thinking that about 10 points margin is enough. Nothing is more erroneous. The man who starts trading on 10 points' margin is gambling, not even making safe, speculative ventures. When you start to trade use your

capital as you would in a business, and in such a conservative way that you can continue.

For trading in stocks selling at $100.00 per share or over, you should have $5,000.00 for each 100 shares you trade in; $2,500.00 for trading in stocks selling over $50.00; $1,500.00 for stocks selling around $25.00; $1,000.00 for stocks selling at $10.00 to $15.00. This amount of capital is not to margin stocks and let them run against you 10 to 30 points. It is to be used to make a large number of trades and pay small losses when they occur. You should always limit your loss on each trade to about 3 points and never more than 5 points.

If you have only $300.00 to start trading with, when you buy or sell a stock, place a 3-point stop loss order on it. This will allow you to make ten trades on your capital. Suppose you make five consecutive trades and lose, your capital will be half gone, but if on the next trade you are right and make 15-points' profit, you will regain all of your losses; or, if you make three trades with 5 points' profit, they would wipe out the losses of five trades with 3 point losses on each.

2ND: LIMIT YOUR RISK

A strong will power is just as essential as plenty of capital. If you have not the firmness, will power, and determination to *protect every trade with a stop loss order,* do not start trading, for you will fail.

I have often heard traders say "If I place a stop loss order at a certain point the market is sure to catch it." Yet they realize afterward that the stop loss order being caught was the best thing that could happen to them. There is nothing better than getting out quickly when you are wrong. The man who refuses to get out when he is wrong usually stays until his money is gone and the margin clerk sells him out.

A lot of people do not know *how to place a stop loss order* on a trade when they make it. A stop loss order is an order given to the broker that becomes a market order when the stock reaches the price at which it is placed. For example:

We will assume that you buy 100 shares of U. S. Steel at 106. You feel that 2 points is enough to risk on the trade and that if it declines to 104 you would sell it out. It is not necessary for you to sit in a broker's office and watch the ticker until Steel declines to 104 and then get up and tell the broker to sell 100 Steel at the market. When you buy the stock simply give your broker an order reading as follows:

Sell 100 U. S. Steel at 104 Stop G. T. C.

which means "good till cancelled." Now, suppose that Steel declines to 104. When it reaches this price, your broker sells 100 at the market. He may get 104 for it or he may get 103⅞ or 103¾, but you know that when it reaches this price your stock will be sold. A broker can not guarantee to sell your stock at the limit of your stop loss order, but he does sell it immediately at the next best price after your stop loss order price is reached.

Suppose that you sell U. S. Steel short at 106 instead of buying it, and that you want to protect yourself against loss. You give your broker an order to buy 100 U. S. Steel at 108 stop G. T. C. If it reaches this price, he buys in the stock.

If your stop is not reached and the market goes in your favor, you must then cancel your stop loss order when you close out your trade with a profit. You can, of course, give a stop loss order good for one day, one week, or any specified length of time, but the best way to place the order is G. T. C.; then you do not have to worry about it.

3RD: OVERTRADING—THE GREATEST EVIL

Overtrading is the cause of more losses than anything else in Wall Street. The average man does not know how much capital is required to make a success and he buys or sells more than he should. Therefore he is forced to get out of the market when his capital is nearly exhausted and probably misses opportunities for making profits. Make up your mind how much loss you can afford before you make a trade and not afterward.

Stick to small quantities. Be conservative. Do not overtrade, especially at the bottom or top of long moves. Fortunes are lost trying to catch the last 3 to 5 points in extreme moves. Keep cool. Avoid getting overconfident at tops and bottoms. Study your charts carefully and do not allow your judgment to be influenced by hope or fear.

Many a trader has started out trading in 10 shares and made a success because he started near top or bottom; then when the market had reached extreme, he began trading in 100-share lots and lost all of his profits and capital too, because he violated the conservative principle which helped him to make a success.

If you make *one trade* and it *starts to go against you, you are wrong. Then why buy or sell more to average a loss?* When things are getting worse, day by day in every way, why do your best to make them get worse in every way? Stop the loss before it is *eternally too late. Every trader should remember that the weakest point of all is overtrading, and the next, failing to place a stop loss order, and the third fatal mistake of all, averaging a loss. Eliminate these three mistakes and you will make a success. Cut short your losses,* let *your profits run,* pyramid or increase your buying or selling when the market is moving in your favor, not when it is going against you.

Remember that wild, active markets are brought about by feverish manipulation, and that they increase the imagination, exaggerate your hopes, and take away all sense of reason and proportion. Therefore, in extreme markets try to keep a cool head. Remember that all things come to an end, and that a train going 60 miles an hour will cause a greater smash-up if it leaves the track than one traveling 5 miles an hour. Therefore, in a wild runaway market, jump before she bumps, for you will never be able to get out once the crash comes. When everybody wants to sell, and no one wants to buy, profits run into losses fast.

The great bull market of 1919 shows plainly what happens when everybody gets crazy bullish, and can see no top in sight. This bull market reached a point where everybody was bullish and buying, and no one on the outside dared to sell short. It was one of the fastest markets in history. And

what happened? When the "bubble busted" in the early days of November and the decline started, some stocks were off 50 to 60 points in two weeks' time, and the profits made during the whole campaign that year were wiped out in ten days. The man who waited for a rally to get out on after the move started down never had a chance, because everybody was trying to get out, and the further prices declined, the more people there were forced to sell out, with the result that the market got weaker as it declined lower.

4TH: NEVER LET A PROFIT RUN INTO A LOSS

More traders are ruined by violating this rule than any other, except overtrading. When you buy or sell a stock and it shows you a profit of 3 to 4 points, what is the sense or reason for ever risking any more of your capital on it? Place a stop loss order where you will get out even or better; then you have all to win and nothing to lose. If the trade continues to move in your favor, you can follow it up with a stop loss order.

People often buy or sell a stock and it shows them a good profit, but they are "hoggish," expect more, hold on and hope and let it run into a loss, which is very poor business, and the man who follows it will not succeed in the end. Always protect your principal in every way possible.

5TH: DON'T BUCK THE TREND

The way to make money is to determine the trend and then follow it. When you are in a Bear market and the long trend is down, it is always much safer to wait for rallies and sell short than to buy. If you are in a big Bear market where stocks are going to break from 50 to 200 points, you can miss the bottom several times on the way down and lose all of your capital.

The same applies to a Bull market. You should never sell short on an advancing market. It is better to wait for reactions and buy than to try to pick tops for selling. Big profits are made by going with the trend and not against it.

One of the most vital and important things for either an

investor or a trader to learn is to take a loss and take it quickly. When you see that you are wrong there is no use putting up more margin and holding on and hoping. If you take a small loss quickly and get out of the market, your judgment will be much better and you can see an opportunity to get in again and make profits.

6TH: WHEN IN DOUBT GET OUT

When you buy or sell a stock and it does not act right immediately or start to move in your favor within a reasonable length of time, get out of it. Your judgment gets worse the longer you hold on and hope for the market to go your way, and at extremes you always do the wrong thing. It is much better to take a quick loss of 2, 3, or 5 points than to hold on and hope and eventually take anywhere from a 10 to a 50-point loss.

Stocks are not going to stop going up or down once they start just for your benefit. Always remember what Jim Keene said: "If stocks won't go your way, you must go their way." Always go with the tide; never buck it. If you were on a railroad track and saw a train coming at 60 miles an hour, would you stand there and hope that the train would stop before it hit you, or would you hope that maybe you could knock it off the track? Of course you wouldn't. You would get out of the way and do it quick. You should do the same thing in the stock market—Get out; let them go by, or get aboard and ride with them.

7TH: TRADE IN ACTIVE STOCKS

Always confine your trading to standard, active stocks listed on the New York Stock Exchange. Outside stocks have spurts, but the active leaders yield more profits in the long run. Stocks traded in on the New York Stock Exchange always have a good market and you can get in and out when you want to. Ninety per cent of the unlisted and curb stocks disappear sooner or later. Leave the pups, cats and dogs, and mining stocks alone.

The same group of stocks over a long period of time do

not remain leaders. Changing conditions in the country cause certain groups to lead for a time, then become laggards, while new groups become public favorites and leaders.

It is the same thing with individual stocks of the different groups. As a rule, a stock that becomes a favorite and a leader will continue active anywhere from five to ten years. After this period of time, it will pass into the hands of investors and its activity will cease. Fluctuations will become narrow because investors do not jump in and out every day. They hold for a long time, and finally when they do start to sell out for some good reason, or get scared, then the old time leaders become active on the down side until liquidation has been completed.

Of course, the big money is always made in trading in stocks that fluctuate over a wide range. For this reason, you must always be on the lookout for a new leader that will give opportunities for making big profits. Be up-to-date, keep up with the new stocks as they are listed, watch their development, and you will be able to pick the new live leaders and discard the old, inactive stocks. Big money is made, not from dividends but from fluctuations, if you know how to trade quickly. That is why it pays to trade in active stocks that make a wide range. If you have to take a loss in stocks of this kind, you can make it back very quickly, because opportunities occur often.

8TH: EQUAL DISTRIBUTION OF RISK

There is an old saying, "Never put all of your eggs in one basket." And in the stock market it is a very good rule to follow. If you are in position to do so, select as many as four or five stocks, one from each of the different groups. Buy or sell in equal amounts.

Divide your capital up so that you can make seven to ten trades with it. Suppose you have $5,000.00. Trade in 100-share lots and limit risks to 3 to 5 points. You would be able to stand five or six consecutive losses and still have capital to work with. By letting your profits run one big profit will often wipe out four or five small losses. But, if

you take big losses and small profits, you have no chance of gaining in the end.

If you can only trade in 50 shares, take 10 shares each of five different stocks. Place stop loss orders on these trades from 3 to 5 points away, according to the indications on the stocks you are trading in. Two of these stocks may go against you and catch your stop while the other three may not. This will leave you part of your holdings and if they move in your favor, will make back your losses on the others and show profits.

If you get into the market right and with a reason, records show that it very seldom occurs that you would get the stops caught on all of your stocks. You may not always make as much profit as you would to trade in one or two of the active, fast moving stocks, but you will be safer. That is my aim: To teach you safety; help you protect yourself and cut short your losses in every possible way and let your profits run.

9TH: FIXING A PRICE OR POINT TO BUY OR SELL

The majority of people have a habit when they buy or sell a stock, of fixing in their minds a certain figure at which they expect to take profits. There is no reason or cause for this. It is simply a bad habit based on hope. When you make a trade, your object should be to make profits and there is no way that you can determine in advance how much profits you can expect on any one particular trade. The market itself determines the amount of your profit, and the thing that you must do is to be ready to get out and accept a profit whenever the trend changes and not before. Remember the market is not going to act to please you or go to certain figures just because you want to buy or sell at those figures.

Many traders lose big profits by fixing the price at which they intend to sell. Stocks sometimes go within 2, 3 or 4 points of their selling price and start to decline. They hold on and hope. Just because it does not reach the point that they have fixed in their minds, they often hold on and hope until they lose all the profits and take a loss, refusing to see that the trend has changed. *Hope will ruin any man who*

follows it in the stock market. To succeed you must *face facts,* and *facts* are often *cold* and *stubborn* and *do not agree* with your *hope,* but you must accept them for your own good.

In nearly every bull or bear campaign in the market the general public gets certain fixed points in their heads where stocks are going to make tops or bottoms. The newspapers talk about certain favorite stocks going to 100, 125, 150 or 175. Everybody gets the idea that these prices are going to be made and they become "hope" prices, but are never realized.

To illustrate this: During the fall of 1909, when the bull campaign in stocks was at its height and Steel common had advanced to around 90, the newspapers began to talk of 100 for "little Steel." The public all got the idea in their heads that Steel was sure to make 100 and that was the place they were going to sell and take profits. The writer predicted that Steel would advance to 94⅞ and no higher, which it did, and he sold out, while the "hope" crowd held on and eventually took losses, for U. S. Steel declined eventually to 38. Several years later when it did reach 100, it was the place to buy and not to sell, for it immediately advanced to 129¾.

The man who tries to get the last point or the top or bottom eighth generally loses all his profits. You do not have to get in at the bottom and out at the top to make big money. All you have to do is to look over the list of the active leading stocks and you will find that they make moves of from 50 to 150 points between bottom and top every few years. Then, if you can get in after the stock has advanced 10 points from the bottom, and sell out within 10 points of the top, you certainly will be able to accumulate plenty of profits.

Never get the *idea* in your *head that you can or will hold* a *stock until it goes your way.* This is nothing but pure *stubbornness* and is *not based on any sound logic or reasoning.* In case of doubt, get out. Do not hesitate. Delays are always dangerous. Do as the insiders do: If they can not get what they want, they take what they can get; if the market will not take what they have to offer, they offer what it will take; if the market will not go their way, they go its way. A wise man changes his mind, a fool never.

10TH: WHEN TO TAKE PROFITS

Never close a trade just because you have a profit. The time to hold on is when the tide is running in your favor. When tempted to close a trade just because you have a profit ask yourself the questions: "Do I need the money?" "Is the move over?" "Do I have to sell?" "Why should I take profits?"

Look at your charts; do what they tell you. If they do not show a change in trend, wait. Protect profits with stop loss order, but do not take a profit too soon. This is just as bad as taking a loss too late. Patience to hold on when you are right and nerve to get out quickly when you are wrong will make a success.

11TH: ACCUMULATE A SURPLUS

A surplus must be accumulated before you increase your trading quantities. Margins are not to hold on with, only "lambs" do that. If big risks are required, do not make the trade. Wait for an opportunity when you can buy or sell and place a stop loss order 3 to 5 points away. It is financial suicide to take big losses when they can be prevented.

You must not expand until after you have made profits. Every important business concern carefully creates a surplus and is proud to publish it. No business is run without a loss at some time and a speculator or investor must expect losses. Therefore, he must create a surplus out of which he can pay losses and still continue to trade.

In very active markets, when trading in high priced stocks, as a rule it does not pay to take a loss amounting to more than two consecutive days' fluctuations. If stocks go against you two days, they are likely to go more. Take your loss out of your surplus and leave your capital unimpaired and wait for another opportunity.

12TH: BUYING FOR DIVIDENDS

A great many people make the mistake of always wanting to buy stocks that will pay dividends. Do not buy stocks

just because they pay dividends, nor sell them because they do not. Often people hold stocks because they continue to pay big dividends, only to see their capital half or more wiped out; then the dividend is cut or passed altogether. Look to the protection of your capital, not for dividend returns. Trade for points of profit, not dividends. Fluctuations yield more money than dividends and you will be able to tell when stocks are being accumulated or distributed for an advance or a decline.

If a stock is selling very low or out of line according to the dividend it pays, there is probably something wrong and it is a better short sale than a purchase. If a stock is selling very high and pays no dividend, there is a reason for it and you should not sell it short. Probably it is going to pay a dividend or it is in a very strong position. Otherwise it would not be selling at a high price.

Manipulation for a time will force stocks above or below their intrinsic value, but in the end Supply and Demand govern the course of prices, and values are based on these factors. I intend to teach you how to tell when Supply and Demand show the place where you should buy or sell.

The word "dividend" means a division of profits or earnings, but often when you buy Curb or mining stocks the word means "divy," or that you divide up your capital with the other fellow and later lose all.

CHAPTER IX

METHODS OF OPERATING

After you have learned the rules for successful trading, it is then necessary to determine the best methods for operating either on the buying or selling side. All of these factors help you to overcome the weak points and enable you to make a better success.

BUYING OUTRIGHT

Many people think that the only safe and sure way to make money on stocks is by buying outright. This is a sad mistake and has caused many a trader to come to grief. Study the records of past movements and you will find ample proof of my statement. You need only to refer to the great depressions that have occurred during the past forty or fifty years to prove that it can cost the entire amount of the price you pay when buying outright, i.e., stocks will not only go down to nothing, but they can be assessed.

How many people have you heard say "I own my stocks outright; I have nothing to worry about." They are just the people who should worry. Every year many stocks go out of existence or are assessed. How do people know that they have the one safe, good stock on the list?

At present there are about 700 stocks listed on the New York Stock Exchange. In five or ten years from this time conditions may so change that over 25 per cent of these stocks will be worthless or have declined enough to ruin any man who buys them outright and holds them.

You must have something better than buying outright to protect you in order to make money. It is just as safe to trade on conservative margin, and you will make much

greater profits when you know the right stock to buy or sell and the right time.

In the boom which culminated in the Fall of 1919, many stocks had advanced in nine months from 25 to over 100 points. Suppose people bought any of these stocks outright within 20 to 50 points of the top and held them through the decline of 1920 and 1921. Some stocks declined 100 to 180 points. There were no exceptions. All stocks suffered tremendous losses, and many of them will never sell again at the prices they reached in 1919.

The man who sold stocks short in 1919 and played the short side in 1920 and 1921 until the summer of 1921 was the man who made the money. Below I give you the high prices of some stocks in 1919 and the low prices in 1921, which will prove to you what can happen to a man who buys stocks outright and feels safe:

	High 1919	Low 1920 & 1921	Points decline
American Woolen	169½	55½	114
Am. Intern'l	132¼	21¼	111
Atlantic Gulf W. I.	192¼	18	174½
Crucible Steel	278½	49	229½
General Asphalt	160	32½	127½
Kelly Springfield	164	25½	138½
Mexican Pete	264	84½	179½
Republic Steel	145	41⅛	103⅞
Studebaker	151	37¾	113¼
Transcontinental Oil	62⅝	5⅝	57
U. S. Food	91⅜	2⅜	88⅝
U. S. Rubber	143¾	40½	103¼

Most all of the above stocks were still paying dividends when they had declined 25 to 50 points from the top and they no doubt looked attractive to a lot of people who bought them either on margin or outright. How many men will have the nerve to hold on when they see their capital shrink from 50 to 75 per cent? Very few of them, and a man would be a fool if he did.

This is another proof that you must place a stop loss order for your protection, because when a stock starts to go against you, it certainly can go enough to cost you all of your margin and exhaust your patience, causing you to sell out, probably just at a time when you should buy.

I have not picked 1919 as an exception of a Bull market or 1920 and 1921 as exceptional Bear years, because they are not. These same kind of declines have occurred in 1857, 1873, 1893, 1896, 1903, 1904, 1907, 1910, 1914, and 1917, and they certainly will occur again. Therefore, be a Bear in a Bear market and a Bull in a Bull market.

Don't forget the fact that when stocks start to go against you, they can go a long way in either direction, and that the man who buys outright near the top and thinks he is safe, or the man who sells short near the bottom and puts up 50 points' margin and thinks it is enough, can both be wiped out.

You might argue that a man who buys outright in panic years near the bottom is perfectly safe and doing the right thing. My answer is that the man who buys on margin at the bottom of a panic is just as safe and can make more money because he can carry more stock and I intend to teach you how to tell when stocks reach top or bottom.

SELLING SHORT

I am not going to tell you that it pays to sell short; I am going to prove it to you by indisputable records covering over thirty years of market movements.

A lot of people trade in the market for years and never seem to realize that there are two sides to it. I have often heard people remark when stocks were declining fast, "I can not sell short." The man who is a born Bull, chronic to the core, will never succeed; neither will a chronic Bear succeed any better. You must have no sentiment in the way you make money in the market. Your aim and object should be to make profits and you should have no choice of how you make them, whether it be on the buying or selling side. The Royal Road to Success is to be a Bear in a Bear market and a Bull in a Bull market.

If you only trade on the Bull side of the market, you have 50 per cent more against you than if you trade on both sides. What chance has a Bull in Bear years or years of panic and depression? He may buy near the bottom of a break, but unless he grabs profits quick, he will soon have losses; while the Bear who sell stocks short on every rally,

covers them on the breaks and waits for rallies to sell again, is sure to pile up big profits because he is going with the trend, which you must always do.

Study the charts and convince yourself that at the right time there is just as much money on the short side as there is on the long side. Then make up your mind, if you expect to succeed, that you will sell short when conditions warrant.

Your friends, brokers, and the newspapers tell you that it is dangerous to sell short; that there might be a "corner." The chances for a corner in a stock are about one in a thousand. There have been only two important corners in the last 30 years,—Northern Pacific was cornered in 1901, when it went from 150 to 1000 per share; Stutz Motors was cornered in 1920 and advanced from around 200 to around 700.

Stocks are made to sell and the insiders sell them near the tops just as fast as they can. You are always safe in doing what the insiders do. Stocks with large capitalization are perfectly safe to sell short, because there is a large floating supply of stock and it is impossible to corner them.

The newspapers tell you what the insiders want you to know, not what you need to know. Watch the newspapers. When things are the worst and it is time to buy stocks, they never tell you anything about the good times that are coming, but when stocks are top and the insiders want to unload all they bought at the bottom, the newspapers tell you about dividends, extra dividends, melons, rights, and large earnings, when they should tell you that you are picking "lemons" and are getting "wrongs" not rights on your stock.

A wise man does not expect something good for nothing, and only fools expect the fellow who is on the inside of the game, playing against them, to tell them what he is doing.

The sentiment among brokers is always bullish near the top and bearish near the bottom. The average broker knows no more about the market than you do, and there is no reason why he should. His business is to buy and sell stocks for commissions. That is the way he makes his money, and a broker who does this well earns all you pay him. His business is too confusing. He hears too much on both sides of the market to make his judgment any good.

In December, 1920, when stocks were declining rapidly on two-million share days, the newspapers told you about high money, frozen credits, depression in business, unemployment, buying power reduced, people unable to buy luxuries, automobiles, etc. At this time Studebaker sold at 37¾, which was the bottom. It steadily advanced, and not much was said about it until it got above 100.

Now, for several months past, every few days the newspapers tell you about the wonderful earnings of Studebaker. Tips are all around Wall Street that Studebaker is going to 175 or 200 a share. Why tell the outsider all this good news now after Studebaker is up nearly 100 points, and what will be the story told to the suckers who buy the stock at present levels, when it again sells down around 50 or 60, which it will in the latter part of 1923 or 1924? It is the writer's opinion that the man who sells Studebaker and pays the dividend for the next year will make more money than the people who buy it and get the dividends. This applies to other stocks as well as Studebaker.

PYRAMIDING PROFITS

Many a trader has begun at the bottom of a Bull market to trade conservatively and accumulated a large amount of profits. Finally he begins to pyramid too heavily and too fast near the top, with the result that when the trend turns he gets caught overloaded and loses all the profits he has made and probably a lot of his capital. Sad experience has taught me that it is better to be safe than sorry. In speculation let "safety first" be your motto.

In trading, your first risk should be your greatest. Suppose on your first trade you risk 5 points, which, if lost, comes out of your capital. We will assume that the stock moves 5 points in your favor. You can then buy a second lot and place a stop loss order 5 points away, and if it is caught, you will still be only loser 5 points, because you will be even on your first trade.

Pyramiding all depends on where you get in on a stock,—whether near the bottom when a move starts upward or near the top when it starts downward. On active stocks, as a

rule, it is safe to pyramid every 10 points up or down, but you should decrease your trades and never increase them.

Suppose your first trade is 100 shares and the market advances 10 points; then you buy 50 shares and it advances 10 points more; you buy 30 shares and it advances 10 points more; you buy 20 shares and it advances 10 points more, and you buy 10 shares. After that every 10 points up you buy 10 shares more. In this way, if you follow up with a stop loss order, your profits will always increase while your risk will decrease. Your last trade may show a loss of 3 to 5 points according to how you get out on stop loss orders, but all of your other trades will show big profits. It is always safer to pyramid after a stock moves out of accumulation or distribution zones.

Learn to adhere strictly to a rule or do not follow it at all. One thing you must not overlook, that every time a stock moves in your favor 5 or 10 points, the chances against it moving further in your favor have decreased. This does not mean that the stock will not go a long way in your favor, but it is the percentage against you that must not be overlooked.

BUYING AND SELLING ON A SCALE

Many investors and traders have the idea that the only successful way to trade is to buy or sell on a scale up or down. I have never yet seen a scale method that would beat the market. Some one asked Russell Sage if he believed in buying on a scale. He said that there were only three men who had money enough to buy on a scale,—Carnegie, Morgan and Rockefeller, and they had more sense than to do it.

A scale method will not work for the reason that you add to your holdings when the market is going against you, thus increasing your risk. If the market is going against you on the first trade and it looks like you are in wrong, the thing to do is to get out quickly and not buy or sell more. The time to take additional risk is when the market is moving in your favor, as shown in my pyramiding plan. It is all right to buy or sell more if you are doing it when you are making profits, but when you are trying to average, with

losses piling up against you, you are sure to make a serious mistake, which will sooner or later cost all of your capital.

HEDGING IN STOCKS

Traders who buy a stock of one group and it starts to move against them, figure that they can even up by hedging or selling something short in another group. This very seldom pays. It is much better to take a loss and take it quickly on the trade that is going against you, and start a new deal.

There are some instances, or have been in the past, where rails and industrials spread apart and then come together again, but to make a play of this kind requires a long period of time. For example:

In November, 1919, when 20 industrial stocks were selling on an average of 119, the Dow-Jones 20 rails were selling at 82, the industrials being 37 points higher than the rails. The writer figured that the industrials would sell lower than the rails within two years, which they did. In August, 1921, the rails were selling at 70 and the industrials at 66, the rails being 4 points higher than the industrials, or a difference of 41 points in favor of the rails in 21 months.

Of course, a trader who sold the high-priced industrial stocks short and bought rails, even at the top in 1919, would have made money, but this is not the way to trade, for the rails declined about 18 points while industrials were declining 55 points.

Therefore, the proper way to trade would have been to keep short of industrials as long as the trend was down, and not do any hedging. The great fundamental rule that you must learn in order to be a success is to follow the trend of the market. If you can not determine a definite trend, get out and wait until you can. You can always make plenty of money after the trend is well defined.

FAILURE TO FOLLOW RULES

The long swings in the stock market last on an average of two years, or approximately 600 market days. If you stand at the ticker and watch the fluctuations, it will make

you change your mind 1200 times in two years. Ninety per cent of the time you will be wrong, because you are not changing your mind for any good sound reason, but simply because a minor move, which may last but a few hours or a few days, has changed the appearance of the position of the stock to the man who views it from short range, standing over the ticker.

Every time you change your mind and change your position, you increase the percentage against you, because you are paying taxes, interest and commission. If you get in wrong, the ticker will keep you wrong because it will make some minor moves every few hours or every few days that will renew your hope and keep you in. On the other hand, if you are in right, and are watching the ticker daily, some of these minor moves that mean nothing will get you out and you will lose a good position. Then, you must realize that you have very little chance to make any money watching a ticker, changing your mind and being wrong 90 per cent of the time.

The *stock tape moves in mysterious ways* the *multitude to deceive,* because the public are *influenced* by their *hopes and fears.* They sell on fear and buy on hope, thus getting in or out near the top or bottom, while the man who trades on some well-defined plan buys when the public sells and sells when the public buys. The *stock market does not beat you. You beat yourself* by following your own weaknesses, by listening to the man who knows less than you know, by reading the newspapers, following the gossip of the Street, all of which is put out to influence you in the wrong direction.

When the average trader comes to Wall Street he is looking for information. He asks the bootblack "What do you think of the market?" He also inquires of the waiter in the hotels, the office boy, his broker, friends and strangers around the broker's office. I am conservative when I say that the average floating trader asks the opinion of 10 to 12 people every day, most of whom are all guessers and know no more about the market than he does. If their opinions agree with his, he considers it good information and follows it, and of course, loses money. If half of the people he talks to disagree with him, he probably does not act on his own

judgment, and later finds that it was right. He says to himself "If I had only bought when I intended to, I would have made money, but I talked it over with the broker and the boys, and they convinced me that I was wrong."

"A wise man changes his mind, and a fool never." A wise man also investigates and then decides; a fool just decides. The man who is fixed in his opinions on stocks, either a born Bull or Bear, will never make any money. A man must always be of open mind, ready to change his mind and act quickly when he finds that there is a good reason to do so. In *Wall Street* the *man who does not change his mind will very shortly have no "change" to mind.*

I know of a trader now in Wall Street who is an old man, probably eighty years of age. He has made several small fortunes in his day and some of his big profits were made when he got in stocks that moved quickly 50 to 100 points. After that, he would lose all of the money that he had made, trying to catch another move where he could make 50 to 100 points quickly.

This man had been broke for several years prior to 1915. When the great war boom started, he got hold of a few hundred dollars capital and started buying stocks and pyramiding. He got in at the right time, on the right stocks, i.e., he bought near the bottom; stocks began to advance and he began to pyramid. He bought Baldwin below 50, Crucible Steel below 40, Beth. Steel below 50, Studebaker below 60. He was fortunate enough to get into the real "war babies."

He was trading in odd lots in the beginning and when the market reached top in the fall of 1915, he was carrying thousands of shares. His equity with the broker was over $200,000. I said to him "Now is the time to turn your paper profits into cash." At that time Baldwin showed him over 100 points' profit, Crucible over 100 points and Beth. Steel several hundred points' profit on his original trades. But he had gotten so bullish and so full of hope that he thought everybody was crazy and that every stock on the list was going to be a Beth. Steel and go up to 700.

I remember one day in October, 1915, when Baldwin advanced to 154, which was the top, and the market was very wild and excited. I said to him "Now either sell out

all of your stocks or protect your profits with close stop loss orders." He said "Stocks haven't started to go up good yet" and he gave me an order to buy 500 more Baldwin. He said "I am going to sell Baldwin around 250, not 150." That afternoon Baldwin declined to 130, and all of his other stocks in proportion, but he held on and hoped. Stocks continued to go down, and in a few months Baldwin was back around 100 and he was forced to sell out his big line of stocks, and his profits of $200,000 were reduced to where his account showed less than $10,000.

Now, where is the mistake with this kind of trading? This man saw the opportunity at the right time. He bought small amounts of stocks at the right time and he pyramided right. But he failed to get out at the right time. *A profit is never a profit so long as it is on paper.* It must be turned into cash. This man refused to see the market as it really was. He was so bullish that he could not believe a 20 or 30-point reaction showed that the trend had turned, at least temporarily. Once a man has a profit and protects it with a stop loss order, he knows that that much money is safe and he is sure to get it, but if he holds on and hopes, and increases his buying at the top, he is sure to lose.

This man, after making and losing money, again went broke in 1917, and as yet has not come back, because he is getting too old, and he is too hopeful. To this day, he will listen to the advice of any clerk in a broker's office or, in fact, anyone around a brokerage office, who will tell him of a stock that is going up 100 points, and he will believe it. Why? Because he hopes to get in again on a stock that will go up 100 points or more, pyramid it and make a fortune. If you tell him that you know of a stock that is sure to go up 5 or 10 points, he will pay no attention to you. He is not interested in making 5 or 10 points. He wants to make 100.

Some people never learn by experience. This man has been trading ever since before the Civil war, and in over 50 years has not learned that abnormal markets, where prices advance over 50 to 100 points in a few months, occur only three or four times in a lifetime. He is expecting things to happen every year which experience should have taught him are not likely to happen more than once in 20 years. He

does not see that markets are normal most of the time, and fluctuate in a normal way. Therefore he does not reason right or do any sound thinking. He works on an exaggerated bump of hope, and of course, meets with disappointments and losses.

You must always learn that normal profits must be accepted in normal markets, and in abnormal times you can try for abnormal profits, but protect your trades whether they show profits or not, with stop loss orders, and *be ready to change your mind* when conditions change.

CHAPTER X

CHARTS AND THEIR USE

WHAT YOU SHOULD KNOW ABOUT A STOCK

It is all well enough to know the history of a company, whether it is old or new, its earnings over a long period of years, how long it has paid dividends and its future prospects; also whether it is over-capitalized or whether the capitalization is conservative or not. But all of the information that affects the future price of the stock is contained in its fluctuations and you need nothing more than its record of prices.

A lot of people say that charts are of no value in determining the future; that they simply represent past history. That is correct; they are records of the past, but the future is nothing but a repetition of the past. Every business man goes on the past record of business in determining how to buy goods for the future. He can only judge by comparison with past records. We look up the record of a man, and if his past has been good, we judge that his future will be good.

Charts are simply a picture, which show plainer than we can convey in words. The same thing could be told in words, but you grasp it quicker when you see it in chart form. You would recognize a man and his good or bad qualities quicker from seeing his photograph than from reading a description of him.

I want no better authority on anything than the Bible. "The thing that hath been, it is that which shall be; and that which is done, is that which shall be done; and there is no new thing under the sun." This shows that history is but a repetition of the past and that charts are the only guide

we have of what stocks have done and by which we may determine what they will do.

If a machine instead of a human being made the market, then it might be different, but to those of us who know how to read the signs of what the manipulators are doing and of what they intend to do, charts and past records are of great value.

Therefore, you should have a chart of monthly high and low prices as far back as you can get them; then a chart of weekly high and low prices anywhere from 6 to 12 months back, and last a chart of daily high and low prices 30 to 60 days back. This will show you what the tape tells about the past, present and future condition of the stock. If the indications are not clear, you will have to wait a little while until the tape shows which way the balance of power lies and whether supply or demand is equal or one is overbalancing.

VOLUME

Do not overlook the volume of sales, for this is what tells whether supply or demand is strong enough to move the stock up or down. Consider the daily, weekly, and monthly volume of sales according to the total amount of stock outstanding. For instance:

If you look up U. S. Steel for the last three months of 1922, you will find that it was in a narrow range for several weeks and the total sales only 300,000 shares. You can not expect any big movement will take place either way immediately. Why? Because there are five million shares of U. S. Steel and one million or more shares must change hands before any big move will take place from any resistance level. The greater the volume of stock the longer the time required to accumulate or distribute a line sufficient to cause a long swing move up or down.

WHAT VOLUME TELLS

The volumes of sales on each individual stock show the percentage that is being bought and sold. That is why the tape and fluctuations tell the truth, provided you interpret

the tape correctly. Certainly a stock cannot be distributed or accumulated without a large volume of sales. Some one must buy and sell a large per cent of the capital stock near bottom or top in order to cause a big move in either direction. Therefore, study volume closely, the time required to sell a large amount of stock, the number of points which it moves up or down while the volume of sales is accumulating.

Suppose U. S. Steel has advanced 20 or 30 points, and it reaches a level where there are 200,000 shares in one day, but the stock only gains one point. The next day there are 200,000 shares and it makes no gain. This is plain enough that at this point the supply of stock exceeds the demand, or at least that buyers are able to get all the stock they want without bidding prices up. In a case of this kind, the wise thing to do is to sell out, watch and wait. If all the stock at this level is absorbed after a reasonable length of time, and it moves up to new high prices, it will then, of course, indicate still higher.

In a big bull market, when stocks reach the distributing zone, they will fluctuate over a wide range and the volume of sales will run several times the total outstanding capital stock. For instance: In the latter part of 1919 and spring of 1920, Baldwin Loco. sales ran from 300,000 to 500,000 shares per week, while the stock was fluctuating between 130 and 156. This was when distribution was taking place, and the public was full of hope and buying regardless of price.

After that, a long decline started and Baldwin reacted to 62⅜ during the week ending June 25, 1921. It was down 93 points from the high of 1919. During the last week of the decline, it went down from 70 to 62⅜, over seven points, and the total sales for the week were less than 110,000, which showed that liquidation had about run its course and that there was very little stock pressing for sale. The amount of sales at this time in one week were about half of the capital stock and probably about as much as the floating supply, while when the stock was nearly 100 points higher, the capital stock was changing hands about twice each week.

After Baldwin reached the low level of 62⅜ in June, 1921, notice it began to rally on small volume, which showed that there was not much stock for sale and that it did not

require heavy buying to put it up. The supply of stock in the hands of the public having passed into strong hands, it was easy to start the advance in this stock which continued until it reached 142 in October, 1922, where distribution again took place. This is how volume shows you when accumulation or distribution is taking place.

CHAPTER XI

THE SEVEN ZONES OF ACTIVITY

The stock market can be divided into seven Zones which determine the different stages of activity. There are three Zones above normal and three below.

The *Normal Zone* represents something near actual intrinsic value, as far as human judgment can be depended upon and as far as the ticker tape can analyze it from supply and demand. The line marked "normal" we consider as a place where buying and selling is about equal and fluctuations are very narrow, there being no incentive or reason apparent for any wild speculation up or down. Either accumulation or distribution may take place around the Normal Zone. Investment stocks or gilt-edge bonds may start downward from this zone, while speculative issues, which have prospects or exaggerated hopes of big earnings, may start up from this zone.

The *First Zone above Normal* marks the period of quiet advancing prices which attracts very little attention. This zone may last one month, three months, six months or a year, according to the cycle the market is passing through in general conditions, because from Normal to the Third Zone at one time may be reached in twelve months and at another time may not be reached for five or ten years, viewing the market from a long swing standpoint.

The *Second Zone above Normal* marks a period of greater activity when pools begin marking up stocks. You will hear reports of better business and the public will become interested in the market and buy on a small scale, but most people will wait for a reaction back to Zone 1 to buy. Of course, this reaction seldom ever comes.

The *Third Zone or highest above Normal* marks a period of distribution. In this zone great activity takes place

and extremely wide fluctuations. Stocks are very feverish; the public buy madly; reports of big earnings come in; dividends are increased and stock dividends declared. Everything is optimistic. Prominent men talk of the greatest prosperity ever known. Weeks and months go by and stocks continue to advance. Reactions are very small. People who wait for reactions become discouraged and buy at the market at any price. You hear of fortunes being made by the office boys, the bootblack, bookkeepers, stenographers. Everybody is rolling in wealth and all of them are dreaming of fortunes yet to be made. Most of the fortunes that they are counting on, of course, is paper profits. They have not yet cashed in, and not 10 per cent of them ever do cash in at this stage of the game. They get too full of hope to sell. This stage of the market occurred from August until the end of October, 1919. Many of my readers know what happened to them.

In this stage, for weeks and months, every few days stocks will open up anywhere from 1 to 5 points higher and keep on going up without much reaction. After this has happened and the end is near, although no one can see it, traders all go home some night, hopeful with the sky clear and not a sign of disturbing cloud, and come down next morning and find stocks opening off anywhere from 1 to 5 points. There may be no news out or any reason at all for the decline, but the real cause of it is that the market has reached the stage where Supply exceeds Demand. Everybody has bought to full capacity and there not being any large amount of buying orders in at the opening to support prices, they open off. This is your first sign of the end. Take warning! Get from under, for with this first lightning strike, you may know that the storm is gathering, and it behooves you to protect yourself. After this first sign of the end, stocks may go lower for a while and then rally up near the high points and hold for a time, but it is the warning that the "saturation point" is about reached, and the wise man will get out in time.

The history of the world shows that there never has been a time when there was a great demand for anything, whether it be a product of the mine, factory, or farm, that sooner or

later, a supply in excess of that demand did not develop. Just as soon as any business becomes profitable enough for a few men to make big money, enough people will get into it to cause over-production and force prices down. This is but a natural law. It is caused by the weakness of human flesh and it applies to the stock market the same as to any other business. When stock prices reach this third zone above normal, fluctuations are so wide and rapid that fortunes or big profits can be made very quickly. This attracts all classes of people to the market. They buy and continue to buy, and prices continue to rise until somebody from the inside, outside, top side or bottom side, supplies the demand, and the whole crowd find themselves at the saturation point loaded with stocks, looking for a buyer, and he is not there. Then follows the deluge back to Normal and on down to the final and third stage below normal.

The *First Zone below Normal* is marked by a quiet decline from high prices and what might be termed the first bad shake-out of the weak holders. A rally follows but stocks become dull on the rally because the Supply is still greater than the Demand and distribution is still going on. A lot of people who miss the market in the third stage above normal are wise enough to sell out in the first stage down, and professional traders, seeing that the bull market has terminated, go short of the market on every rally with the result that prices begin to work lower slowly.

The *Second Zone below Normal.*—Liquidation increases, breaks become bigger and rallies smaller; reports of falling off in business come to light and a more conservative spirit underlies general conditions. People are less hopeful, become more conservative and stop buying. The result is that the market is without much support and gradually works lower.

The *Third and final Zone below Normal* is exactly the opposite of the third zone above. It marks a period of panicky conditions, extreme pessimism; investors lose confidence and start selling out. There is great excitement throughout the country and reports of poor business; dividends are passed or reduced and even the men who were optimistic at the top, now begin to sound a word of caution

and hint that things may get worse before they get better. The supply of stocks seems unlimited; everybody is a seller; no one wants to buy. You hear people say that they are not worth the paper they are written on. They are talking about the same stocks that they bought 50 to 100 points higher. When this stage is reached, it is the time to cover shorts and buy stocks when nobody wants them. In this stage, it may be necessary to watch and wait for several months until you see that liquidation has been completed and that accumulation is taking place, as there is always plenty of time to buy after the quiet advance starts. Remember, it is always darkest just before dawn, and it is always brightest at noontime, just before the sun starts to recede.

CHAPTER XII

HABITS OF STOCKS

The stock market is driven by human energy, i.e., prices are made through buying and selling of human beings, and as human beings have certain habits, certainly the market or the individual stocks reveal the habits and methods of the men who make markets. You should become thoroughly acquainted with the stocks you trade in, and by studying them, you will learn their individual moves which are peculiar to themselves. This is caused, as I have explained elsewhere, by a certain group of men or pools that operate in a stock for a long number of years.

Investigate and learn all you can about the stock that you trade in before you make a trade, not afterward. Study the number of points each individual stock makes in its moves up or down. Note carefully the volume of sales on which it culminates in major or minor moves. Note whether it makes it bottoms or tops by a very fast run up or by a slow, creeping movement. Some stocks make sharp tops and bottoms, some make round tops, other make square tops, some make double tops and bottoms, some make triple tops and bottoms, while others only make the single, or sharp top and bottom. By a double or triple top I mean a stock reaching a certain level, then having a big reaction and moving up to the same high level a second or third time, and vice versa.

TOPS AND BOTTOMS—FLAT OR SHARP

Stocks are no different than human beings—they have their peculiar habits and moves. It is just as easy to tell what a stock will do by getting acquainted with it and watching its moves over a long period of time, as it is to tell what

a human being will do under certain conditions after you have known him for many years. Remember that stock market movements are made by human beings; therefore they reflect what the human mind thinks and reveal the actions, desires, hopes, wishes and aims of the men who manipulate special groups of stocks that they are interested in.

Stocks do not all move alike. Some are leaders, others are laggards; some are fast movers, some slow movers.

The stocks that lead and reach top first make what we call on a chart *flat tops*—that is, they reach a level and remain there for several weeks or months, fluctuating up or down over a wide or narrow range according to the kind of a stock, but never getting much above the level where distribution started. These stocks, of course, are the first to lead a decline when a bear market starts.

The stocks which are late movers and start their advance after the general market is about top are rushed up fast and make what is known as a *sharp top.* They do not remain long at top levels, but decline quickly, because the general market has already turned downward, and, of course, the late mover, which is going against the trend, must naturally meet with greater selling pressure at high levels than the stock which is already down considerably from the top.

Then the question might be asked, "Where does distribution take place in stocks that make sharp tops?"

They are distributed as they run up and are also sold on the way down. After making a sharp top, they usually break back 10, 20 or 30 points and then halt. At this level most people think they are down too much to sell short and have reacted enough to be good purchases; therefore they buy them. In a case of this kind, distribution often takes place 20 or 30 points below the top in the late movers, while the stocks which lead the advance are distributed within 5 to 10 points of the top.

The leaders make the same level many times, some stocks as much as 10 or 15 times, while the late mover is more of a volcanic eruption. It shoots up to the top and never makes the same high price the second time, because when the explosive buying power is over, it recedes quickly to a level

that might be termed semi-normal. It is a quick recession from high temperature.

TIME REQUIRED FOR DISTRIBUTION

The time required to distribute stocks depends upon the stock, the amount of shares outstanding, general conditions and how well the stock is known or advertised among the public.

For instance: In a market like 1919, when trading averaged two million shares per day for over sixty days, it would be easier to distribute a million shares of stock in sixty days when the public were all wild and madly bullish, buying everything in sight, than it would be to distribute them in one year's time in a normal market. When stocks reach a level where distribution is taking place, they make rapid moves up and down. There is a large volume of trading and both short selling and buying is taking place. People are attracted to the stock that makes fast moves up or down, because there are great opportunities for making money.

People once convinced about a thing remain convinced for a long time. For example: A stock moves from 120 to 150 seven or eight different times—that is, every time it comes down around 120 it rushes up again to 140 and 150. The public finally become convinced that every time it gets down around 120 it is a sure buy for quick profits. Now, eventually, after the stock has been thoroughly distributed, it declines to 120 and fails to rally. Everybody is long of it, holding on and hoping. It goes down 10, 30, 40, or 50 points, until investors and traders become disgusted, scared and sell out.

Some of the surest signs of distribution are fast moves up and down on large volume, increased dividends, stock dividends and special privileges to stockholders, which really is the bait that catches the sucker and in the end causes a big loss.

MISJUDGING THE TIME OF ACCUMULATION OR DISTRIBUTION

It requires different lengths of time in various stages of the market to accumulate or distribute stocks. A pool may

form in the early part of the year and buy a large amount of stock, expecting a spring rise. The advance comes in April or May, and the pool sells out, distributing its line of stock to the public. A break occurs in June or July and the public gets scared and sells out the stocks they bought at the top. Then this same pool, or another one, buys back the stocks, and another advance comes. This may go on for three or four different times with the stock being distributed at the different stages, which are only minor periods of distribution, and finally when the extreme high or final zone of distribution is reached and everybody is so bullish, the stock is distributed for a long bear campaign.

The same occurs on the way down. The market halts and holds at one level for some time, then rallies, where the bears put out a line of shorts and the stock continues downward, going through two or three different stages of liquidation before the final stage is reached where accumulation takes place for another big bull campaign. This is all fully shown on the Charts Nos. 11 and 12, showing the different tops and bottoms on the Averages of the railroad and industrial stocks.

Bull or bear markets all move in sections of three to four waves up or down, individual stocks working out their high or low points according to their Time factor and individual vibrations. See chart on Industrial Alcohol which shows the different levels or sections on the way down. Each resistance level might have been considered a bottom, but it was only a temporary bottom, as it shows plainly that it failed to make higher tops on each succeeding rally.

Many stocks will halt near the end of a bull or bear campaign and make a level which looks like accumulation or distribution, and appears to be the final top or bottom, but if the public buy heavily, or shorts all cover around a level of this kind, there may be built up, even at a very high or very low level, a weak long or short interest which will cause a final drive making the final top or bottom, as the case may be.

Often when stocks are nearing final top, professional shorts will put out a big line of short stocks; then something will occur to cause them to get scared and start to cover,

and their buying, together with public buying, will force prices to a level a little higher than previous tops, all of which is plainly shown on the charts Nos. 11 and 12 on Rails and Industrials. This rule is also fully explained in the example given in regard to Retail Stores and its bottom of December, 1920, and the next bottom February and March, 1921.

RESISTANCE LEVELS

Before you start trading in any stock, get a chart on it for several years back, if you can. Study it closely. Note the levels at which bottoms and tops have been made. Find out where its previous resistance points have been made. Then you will be able to determine whether you are entering the market at a safe or dangerous level.

Suppose in 1921 you wished to buy a railroad stock which paid a good dividend and had prospects of advancement. We will presume that you made up a chart on New York Central from 1896 to date. (See Chart No. 5.) Now read about New York Central under chapter "How to Tell the Stocks that are in the Strongest Position." Thus you will see that by having a record of stocks, you get acquainted with their movements and are able to know whether you are buying near the top or bottom of a move.

Suppose you make up a chart of a stock and find that it has advanced from \$10 a share to \$50 and is selling at \$40. This would not be a safe place to buy, because it is too close to the high price and too far away from the low price. Of course, this does not mean that many stocks which have reacted from \$50 to \$40 are not good purchases. I am merely giving you an example of a place of safety in buying or selling. No matter whether it is a small move or a large move, before you buy or sell you should wait until the stock shows that it is meeting with resistance one way or the other. Always remember that you should *have a reason for making a trade. Do not buy or sell on hope;* that is pure gambling and *gamblers always lose* sooner or later.

WHEN TO BUY OR SELL AFTER EXTREME TOPS OR BOTTOMS

The way to tell when to buy or sell after stocks are away from extreme tops or bottoms is to watch reactions and rallies. The average stock reacts 5 to 7 points, sometimes 10; low priced stocks 2 to 3 points.

Watch the time required to complete major or minor moves. In very active markets stocks will seldom react more than two days or the third day they will sell higher. Buy on the second day's reaction and stop three points.

If stocks get dull or narrow near bottom or top, wait for activity, then buy or sell.

After a stock has held below a top or bottom for two weeks or more, gets active and makes a new high or low, then buy or sell as soon as it gets active in new territory.

GETTING IN WHEN THE MOVE STARTS

Many people see a stock start advancing and wait for a reaction on which to buy. The reaction does not come and they get left. Reactions, cross-currents and reverse moves take place during the accumulation stage. When this is completed and the stock moves up out of the accumulation zone, it does not react much. Why? Because the insiders have bought all of the stock that they want and their next *objective point* is to move it up to the *distributing level* where they can start to sell. They do not come back to let you or anyone else get on once the move starts.

He who hesitates in Wall Street is lost. Therefore when you see a stock starting to move, if it is very active and the volume of sales large, do not wait; buy at the market.

The same rule applies to selling. When once a stock breaks out of the distribution zone, if you are long of it, sell out at the market and go short. There is no use holding on and hoping. The stock is not going to move back to a high level just to let you sell out, no more than the 20th Century train will back up to the Grand Central station to let one passenger get on after it is twenty miles out. You must get on when they holler "All Aboard" or you are left, and this certainly applies to the stock market.

Of course, you must study the stocks and be able to determine when these big moves start. As a rule, when accumulation or distribution is finished and the move is under way, you can make more money in one to two months' time, while the run is on, than you can trading for the narrow swings in six months' time.

NARROW FLUCTUATIONS AND DULLNESS

Markets nearly always culminate at the top of Bull movements with wide fluctuations and large volumes of sales, which may keep up over several months, finally culminating with several days of two to three million shares. When these signs come, take warning, for the end is near.

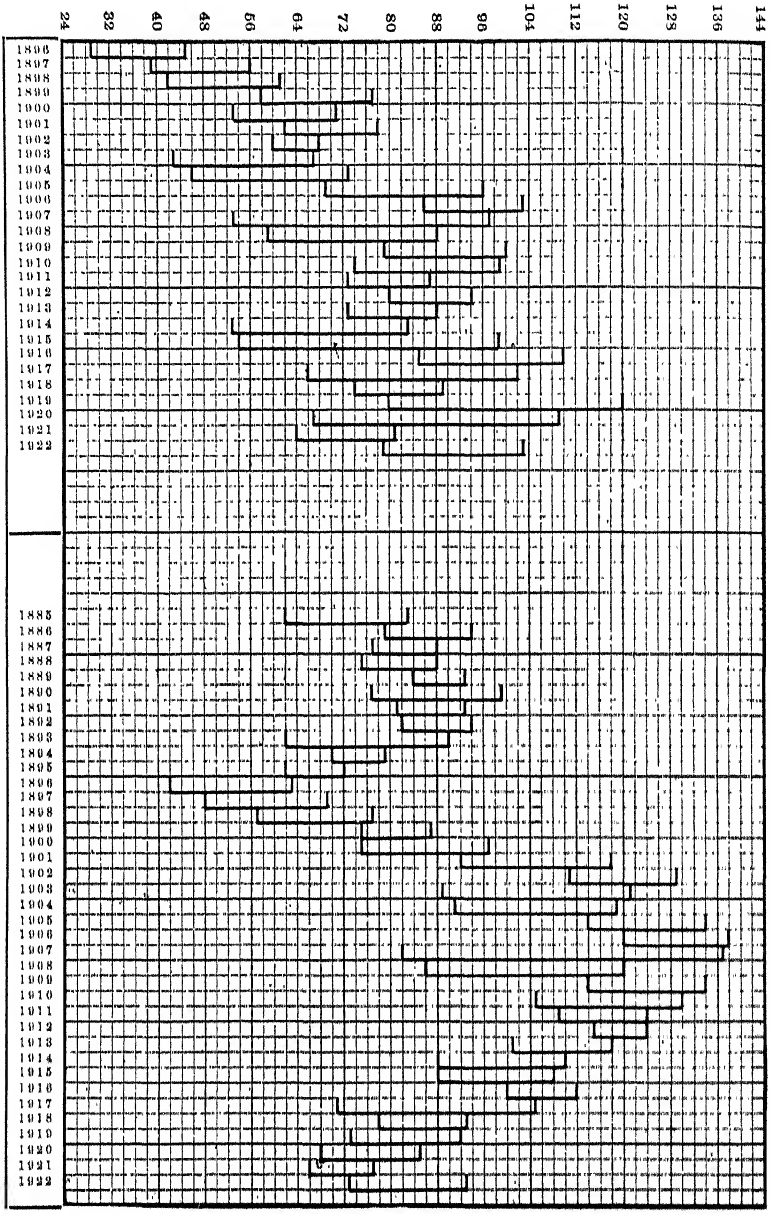
Bear markets, which are very rapid and fast, also wind up with wide fluctuations and large volumes of sales. For instance: On December 22, 1920, stocks declined rapidly and the volume of sales reached 3,000,000, which was the largest day of the year. The market had been declining for several weeks and the volume of sales had been running high. This was the final culmination, from which a big rally started, and many stocks have never sold lower than they sold on that date.

For many years when sales of two to three million have occurred at top or bottom, it has always marked the turning point one way or the other. When a stock or group of stocks on Averages remains for a long time in a narrow range and the volume of sales is small, it is a sign that either distribution or accumulation has run its course and the market is getting ready to turn. After short weeks, months, or years, watch which way the market turns and go with it.

Averages.—The range on Railroad stocks in 1921 was only 11 points on Averages. The market was down to 66 on Averages against a high price of 138 in 1906. This was the shortest year's fluctuations since 1912 and indicated that liquidation had run its course, because Railroad stocks became very dead and inactive and everybody afraid to trade in them. Then the upward move started.

In comparing the position of Railroad stocks with Industrial stocks, note on Chart No. 1 of Yearly Averages that

CHART No. 1—Dow-Jones' Averages, Yearly High and Low.
20 Industrial Stocks: 1896–1922
20 Railroad Stocks: 1885–1922



both Rails and Industrials made extreme low prices in 1896; that Industrials made a higher bottom in 1903 and a still higher bottom in the panic of 1907, and declined to the same level in the 1914 depression; in 1917 made a still higher level and in 1921 went only two points lower than the low of 1917, while Railroad stocks declined below the level of every year, except 1898.

This shows that Industrials were receiving better support and were in position to advance faster than Rails. They have advanced 40 points on Averages from the low point of 1921, while Rails have advanced only 27 points. This is the way to compare the Averages of different groups or individual stocks to determine the ones that are in the weakest or strongest position.

Many stocks when they reach low levels and accumulation is taking place remain in a very narrow range for many months, but once they break out of this range, great activity develops and you should watch the trend and go with it. For example:

Mexican Pete.—In 1918 advanced to 98 in February; reacted to 90. Traded between 98 and 90 until May, 1918; then advanced to 102. Reacted to 91; advanced to 102 again in June; then reacted to 96; advanced to 103 in July; then in the month of August traded in a range from 100 to 102, only two points, which was the shortest month of fluctuations in its history. This short month of extreme dullness at the top of an advance showed that accumulation was taking place and that the insiders were simply waiting, giving everybody an opportunity to sell all the stock they would and to encourage a big short interest before starting the big advance.

Therefore, this showed that it was getting ready for a big move one way or the other. In September it reacted to 98, then advanced to 104, which was above all previous tops since January, 1917. The advance continued, with only small reactions, until the stock reached 194 in October, 1918. It reacted to 146 and continued to make higher bottoms until it finally reached 264 in October, 1919.

CHAPTER XIII

DIFFERENT CLASSES OF STOCKS

DOES IT PAY TO BUY NEW STOCKS?

When companies are first organized and their stocks are listed on the Curb or New York Stock Exchange, they are held by the insiders or people who form the companies and sell stocks in order to carry on the business. Therefore, they are distributed to the public. While they may advance for a short time after they are first brought out, the man who buys and holds them is sure to have big losses, if not suffer the loss of his entire capital before he sees a profit. For example:

U. S. Steel.—In 1901 when the U. S. Steel Corporation was organized, the common stock, of which there was 5,000,000 shares, was put on the market around 40. It advanced to 55 and in less than 60 days, on May 9th, when the Northern Pacific corner occurred, it declined to 24. The highest it ever rallied after that was 48. It then slowly declined until it reached 8⅝ in the Spring of 1904. The stock traded between 10 and 12 per share for nearly a year. This was the time to buy because it showed that it had reached a level where the insiders were supporting it and taking back all the stock that they had sold in the 40's.

The stock did not get above 50 until 1908. Therefore, the people who bought when it was first issued and held it had to wait seven years before they were even on it. Besides, over 75 per cent of their capital was wiped out when the stock was near the bottom, and it takes a man with a lot of nerve and a big bump of hope to hold a stock when it is that much against him. This is one of the few stocks that did come back and go higher after it was first distributed to the public. Hundreds of others are either assessed or go out of existence.

Transcontinental Oil.—One more example of a stock that cost the public millions of dollars in 1919. Transcontinental Oil, which was placed on the market around 45 in 1919, advanced to 62 in November of that year. Hundreds of people were induced to buy and were told that it would go to 100 or higher. It started on its long decline because the insiders had sold out to the public and there was no support to the stock. In a little over twelve months, or in December, 1920, it sold at 6, which would wipe out 90 per cent of the capital if a man bought it outright anywhere near the top.

Make up a chart on this stock and study it. See how it looks at the top and how it looks at the bottom. After it sold at 6 in 1920, it advanced to 13 in April, 1921; then declined to 6 in August, 1921, the stock becoming very inactive, which showed that it had reached a level where the selling was over, and somebody was buying it. It advanced to 12 in December, 1921, which was one point lower than the high price of April. Then declined again to 7½ in March, 1922, where it again became inactive and dull, showing that there was support and that the stock was thoroughly liquidated. This was the time to buy. The stock has since advanced to 20 in May, 1922, and still shows upward trend.

Transcontinental Oil was not the exception. Almost every other new company which placed stock on the market in the boom of 1919 declined in the same way. Always bear in mind that new securities are floated in boom times when everybody wants to buy and they are put out at high prices so that they can be sold all the way down. Therefore, great caution should be used in buying new stocks and you should get out quickly when they start to decline and go short.

Then, when you think stocks have reached bottom, wait and give them plenty of time to show whether the Demand is strong enough to give them permanent support or whether they have reached temporary bottom, only to break out and go lower a few months later. When stocks reach top or bottom you do not have to be in a great hurry to get in or out, as the insiders require a lot of time to accumulate all of the stocks they want near the bottom and require time to make a market to distribute them near the top.

BUYING OLD OR SEASONED STOCKS

It takes time, sometimes several years, to distribute a large amount of stock and get it into the hands of investors who will hold and not sell out when it advances or declines. Therefore, the average stock is manipulated over a wide range for many years, varying anywhere from five to ten years, until investors absorb it all. After that if it is a fairly good company with established earnings, it will fluctuate over a narrow range, because the investors have it and there is no manipulation in it.

But remember one thing, that after a stock is in the hands of investors there is no more money in it for the insiders until such a time as they can start a scare and get investors to sell out. This requires a long time, because investors who have confidence in a stock and who have held it for several years are slow to let go of it. As long as it pays dividends they feel safe and hold on.

Finally when it reaches lower levels than it has been for a long time, heavier selling starts, and as there is no support of any consequence, the stock declines rapidly until it reaches a level where the wise manipulators are willing to buy it back again. This is why it is often safer to sell a stock short when it is down 50 points from the top than when it is only down 10, as all support has been withdrawn; everybody wants to sell and no one wants to buy. I can cite you hundreds of examples of this kind. A few will suffice.

New Haven.—This railroad had paid dividends of 4 to 10 per cent for about thirty years. The stock was in the hands of investors and it started to decline. When it was down from 280 to 200 it still paid dividends. Investors held on because they thought it was all right. Later when it was selling at 150 in 1911 it was still paying 8 per cent and investors were holding it because they felt that it was safe; it had paid dividends so long.

But the insiders who were out of it and had been selling it short for many years, knew that the time was coming when all the dividend would be passed. In 1913 the dividend was reduced to 5 per cent and the stock declined to 66 on heavy liquidation. The highest it ever rallied after that was 89

in 1915, the entire dividend being passed in 1914. A lot of people who had held on and hoped did not sell out when the dividend was passed, but as the stock slowly worked to lower levels they lost hope and sold the stock for what they could get, the result being that it declined to 12 in 1921.

This shows that stocks are never so low but what they can go lower and are never so high but what they can go still higher. How many people would sell New Haven short at 50 a share when they knew it had sold as high as 279? Yet, it was a safe short sale all the way down to 12. When conditions change the price at which a stock has sold makes no difference and you must play it as it is.

Union Pacific.—The same thing applies to selling stocks short. A lot of people knowing that Union Pacific sold at 3½ a share in 1896 and was assessed at $20 per share could not realize that it could be worth 50 per share in 1899. Therefore, they sold it short and went broke. In ten years after it was assessed, it sold at 195⅜ and paid 10 per cent dividends. It went to 219 in 1909.

Therefore, people who could not forget the low prices at which the stock had sold and were not broad enough to see the changed conditions brought about by E. H. Harriman, lost fortunes bucking the trend and selling it short. whereas if they had only gone with the trend instead of against it, they could have made a fortune.

Am. Sugar Refining.—This was another stock which fluctuated wildly for many years until the stock was distributed and nearly all held by investors. Then it quieted down and remained in a narrow range for many years. In 1919 its dividend was increased to 10 per cent, the highest paid for twenty years. Yet, in the big boom and extreme high prices for sugar, the stock failed to advance anywhere near the high prices at which it sold in 1898 to 1906, the years when it was being manipulated and distributed.

In 1921 the entire dividend was passed and the stock declined to 47⅝. Of course, everybody knows how quickly the bottom fell out of the sugar market without warning, but you might ask how the investor would know when to sell out the stock to protect his investment. We will assume that there was no indication or warning for him to sell out

in 1919 at high prices. But there must be some place when a stock starts down where it will reach a level that shows weakness and support withdrawn.

In 1914, which was a panic year, the low price was 97; in 1915 low 99½; in 1916 low 104; 1917, another panic year, low 89⅛; 1918 low 98; 1919 low 111¼. Notice that from 1914 to 1919 the stock was being supported around 97 and that in 1919 the low point was 111¼. Now, in 1920, when the stock sold early in the year at 142, everything might have looked all right for it, but when it broke through 111, the point at which it was supported in 1919, and then declined below 98, the support in 1918, it certainly was warning enough that support had been withdrawn and that an investor should sell out. He certainly had an opportunity to buy it back again over 50 points lower if he wanted to.

Therefore, you see that you must be careful about buying stocks when they are first listed and new, and must also be careful about buying them after they have passed into the hands of investors and have become stale after the company is many years old. The time to make money trading for fluctuations, or points of profit, is when stocks are in the distributing stage, which lasts anywhere from one to five years, sometimes longer. After that you must look for new and more active stocks.

Market movements are made by men and they represent the activity and energy of human beings. A young boy is more active, moves faster than an old man, but he makes more mistakes, has more ups and downs. An old man when once he starts down hill and old age gets a grip on him, seldom ever rallies or comes up again. It is the same with old stocks. Therefore, always play the favorites, the leading active stocks which have wide ranges of fluctuations and are traded in in large volume on the New York Stock Exchange.

SELLING LOW-PRICED STOCKS SHORT

Always remember that every time somebody buys, someone else sells, and vice versa. Do not forget this fact—that

there is just as much stock when prices are low as when they are high, and somebody always owns the existing capital stock of a company. For example:

U. S. Steel.—When Steel sold at the lowest price in its history, 8⅝ in May, 1904, there were five million shares. Again, when it sold at the highest price in its history, 136⅝, in May, 1917, there were still five million shares. Somebody owned the five million shares when prices were the lowest, and somebody owned the five million shares when they were at the highest. It was the insiders who owned the stock at the bottom, and the outsiders who bought it at the top, because it was paying 17 per cent dividend. While it was paying no dividend, it sold at the lowest.

A large percentage of the public buy low-priced stocks for the reason that they think they will go down less and hope that because they are low, they can go up high. This, of course, is a false impression and not based on any sound fundamental principle. Most of the time, when stocks sell at low prices, they are not worth any more, probably less than they are selling for. When they sell at high prices they are worth what they are selling for or there is some reason or cause for the high level of quoted value.

Certain low-priced stocks always become favorites of the public and they buy them, which enables the pools and insiders to sell them out. Then, of course, they go down, because there is no support. The public having bought to capacity, can not buy any more. Prices decline, and finally the public, becoming disgusted, sell out near the bottom. You can always make big profits by selling short low-priced stocks that are favorites and in which there is a big long interest. For example:

Southern Railway.—Was a great favorite with traders throughout the South from 1901 to 1920. Every time this stock advanced above 30, they would become very bullish, hoping and expecting that it would advance to 50 or higher. A chart of it will show you that it was a good short sale every time the public bought it heavily.

Erie is another stock that the public have always bought on hope and there have often been big opportunities for selling it short at comparatively low levels, as it has always

declined until the public became disgusted and sold near the bottom.

The percentage of declines in low-priced stocks is often greater than the declines in high-priced issues. Therefore, the medium low-priced stocks are safer short sales because they rally less.

BUYING HIGH-PRICED STOCKS

When a stock starts to advance, say from around 100, which is its normal level, it will meet with a lot of selling every five to ten points up because people who think it is high enough and have profits, sell out. If it continues to advance, most all of the public will sell out. Then, the professionals and the public will decide that it is too high and start to sell short. They all look for a reaction, but it does not come. The stock continues to advance until it reaches a level where all the shorts have been so badly licked that they cover up and quit.

A lot of people after seeing a stock advance from 100 to 200 become convinced that it is never going to stop going up and they buy. The result is that at a high level a weak, long interest is built up, and the short interest run in, and, of course, the stock eventually starts on a long decline. Often people who believe a stock too high at 110 will think it cheap enough at 180, after it has reacted from 200. You can always make money buying high-priced stocks when everybody is getting out because they think they are high enough for a reaction.

This is why stocks halt and react at low levels and then when they get to high levels, rush up fast and react very little, because the stock has been absorbed and the selling pressure is no longer encountered. Of course, all stock must eventually reach a level where distribution will take place, and supply exceed demand, as the only object of any one buying stocks is to sell them again. The *big money is made in the last stage of a bull market* when prices are feverishly active, and the *big profits on the short side are made in the last stage of a bear market when everybody wants to sell and nobody wants to buy.*

STOCKS THAT ARE YOUR ENEMIES

Any trader who has followed the market for ten years or more and has been an active trader, if he will carefully analyze his trading, will find that there were certain stocks which he was never able to make any profits in. He always seemed to get in too soon or too late. No matter if he sold them short or bought them he always ended up with a loss, while other stocks always seemed to favor him, so much so that he would call them his pets. Now there must be some cause for this, as nothing just happens. Everything is the result of a cause. When you find that a stock does not seem to work well for you, leave it alone. Quit trading in it, and stick to the ones that favor you. I could explain to you the cause for this, but it is not necessary, and many of you would not believe it.

My own experience in trading and my analysis of the cause of effects enabled me to discover the reason for these things. For many years Mex Pete was one of my particular pets. I could always make money in it. My forecasts on it were so accurate that people all over the country who subscribed to my market letter called me the "Mex Pete Specialist." I was able to catch its moves up and down over 90 per cent of the time just the same as if I had been making the fluctuations myself. Many other stocks work just as well as this for me, while others do not favor me and I have never made any money out of them. It makes no difference whether you know or do not know the reason why a thing works or does not work; just as soon as experience teaches you that there is something that works against you, the only thing to do is to quit.

CHAPTER XIV

HOW TO READ THE TAPE CORRECTLY

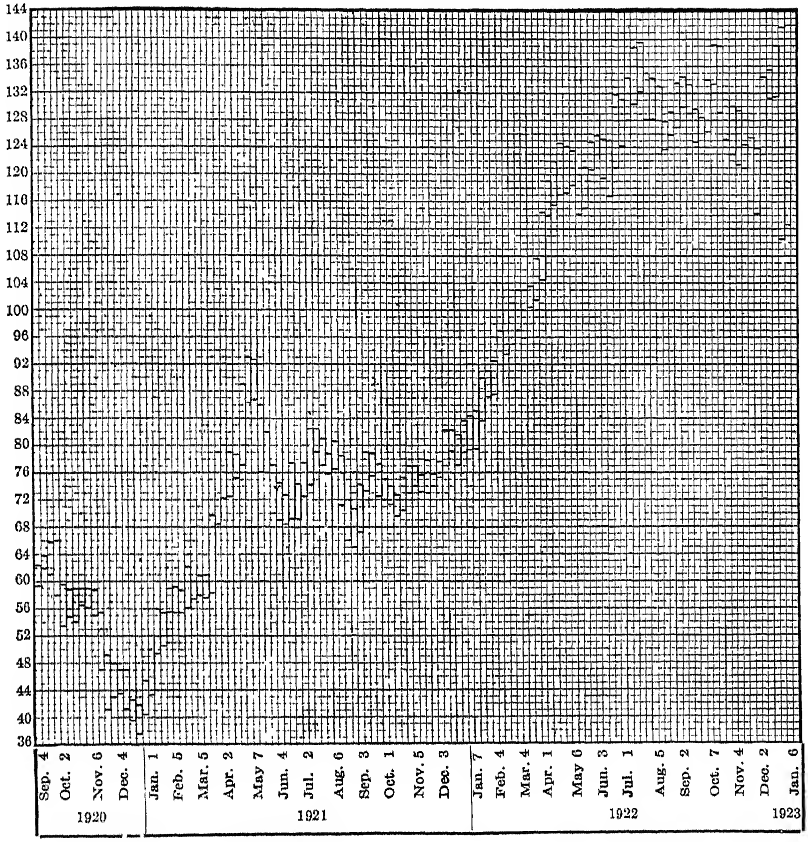
The best way to read the tape correctly is to stay away from it. Get the records of the day's prices and the volume of sales, make up your chart and judge it when you are not influenced by rumors, gossip or reports or by the way the tape looks when it is making a move that only lasts thirty minutes or one hour. When final tops or bottoms are made, for a major or minor move, it will be plainly shown by the volume of sales and the time consumed at bottom or top before the move starts.

A stock, in order to go up, must have reactions, but each succeeding bottom or top must be higher if the stock is going to continue upward, until it reaches a level where the selling is so strong and the volume of stock offered so great that there is not enough demand to absorb it. Then a reaction will take place and the stock decline to a level where the demand again exceeds the supply and the trend will turn up.

Studebaker.—Notice the weekly Chart No. 2 on Studebaker which runs from September, 1920 to January 6, 1923. A decline started from 66 on September 25, 1920 and declined to 54 on October 2; then rallied to 59 in the week of October 9. For four weeks following this date, it made the same level of prices, failing to advance higher. This showed that the supply of stock was greater than the demand. A decline started on November 3 and by November 8 prices had broken below 54, the bottom made on October 2, which showed that the trend was again down.

During the period from October 9 to November 6, when prices were fluctuating within the range of two or three points, and each week getting up around 59, the man watching the tape would have been fooled many times, because each time it made 59 it would look like it was going higher,

CHART NO. 2.—Studebaker, Weekly High and Low.
September 4, 1920 to January 6, 1923



and how could he tell but what the buying would be great enough to carry it through. The proper thing to do when a stock makes a level like this is to sell out and go short with a stop one to two points above the level; then wait until supply or demand forces it higher or lower.

In this case, the stock declined rapidly to 41 on November 20, then rallied to 48 the following week. After that each week made a lower top and a lower bottom. In the week ending December 25, 1920, the high of the stock was 41¾ and the low 37¾. The volume was large, but the stock did not decline over two points below the previous week and it closed near the top prices of the week, which was an indication that the buying was better than the selling. The following week it advanced to 45½ which was higher than the two previous weeks, but resistance was met at 47 to 48. During the week ending January 8, 1921, it advanced through this level up to 52 and continued on up to 59, the resistance levels made in October and November, 1920.

Studebaker reacted from this resistance level again back to around 55, and during the week ending February 19, advanced through this level to 62, which showed that the trend had turned up again, and if you had sold out and gone short with stop at 60, you should have covered and gone long when it crossed this level.

Note that for three weeks it held in a narrow range, but did not break back below 58. Then the advance was resumed and by April 2 it had reached 80, which was above the last high price made. From this level, the stock reacted to 72, but the following week it received support at a higher level, and so on each week until the week ending April 30, 1921, when it advanced to 93, and the volume of sales was 359,760 shares. Again the week ending May 7, it fluctuated from 92½ to 87 with a volume of sales amounting to 227,300.

Now note that from the bottom, which was made during the week ending December 25, 1920, at 37¾, every rally was from a higher bottom, which showed that the buying was better than the selling and that the stock had not yet reached a level where supply was greater than demand until it advanced to 93, where the large volume of sales showed

that there was enough selling to check the advance. Note that the week beginning May 9, 1921, the stock opened at 86, breaking the levels of the two previous weeks where there was large volume. This was the first indication that the trend had reversed and that you should sell out and go short.

This advance, which amounted to 55 points, lasted a little over four months, during which time the weekly chart shows that the trend never changed, but during this time, if you will go back over the tape, you will find dozens of times when you would have sold out and gone short and lost money. Why? Because a move that would run thirty minutes, three hours, or three days, down, would fool you and make you think that the trend had changed.

After the trend on Studebaker turned down, it declined sharply until it reached 70 the week of May 28, 1921. After that you will notice it held in a narrow range for three or four weeks and only declined less than 2 points lower than this level, which showed that there was some support. Then it rallied to 82½ the week ending July 9. After holding around this level for several weeks, which showed that it was again meeting with heavy selling, the trend turned down again and it declined to 64¾ on August 25. Then followed a sharp rally to 79 on September 10, then five or six weeks of a slow decline down to 70; then six or seven weeks more of narrow trading in a range of about four points.

Finally, the week ending December 10, 1921, it crossed the levels made on September 10, but again halted around 82, the levels made on July 9 to 16. Then the advance started. The long period of time in a narrow range showed that accumulation was taking place. The advance continued, resistance levels being raised until it reached 124½ on April 22, 1922. Then followed a quick decline down to 114¼, from which it advanced to 125⅞, being higher than the previous level, but the stock narrowed down and the volume was small. In the week ending June 17, the stock declined to 116⅝, again getting a higher support than the last level of 114¼ made on May 13, 1922.

Then increased volume and great activity started and the stock advanced to 139⅜ on July 19, 1922, where the

volume during the last two weeks amounted to 400,000 shares. Besides, the volume on the advance from 116⅝ up to 139⅝ amounted to 1,600,000 shares, which was nearly three times the total capital stock outstanding and probably five or six times the floating supply of stock. This showed plainly that distribution was taking place, and that the public was buying this stock and that the insiders were selling out.

A decline started and on August 12, 1922, it declined to 123, but the volume was only 110,000. The following week it fluctuated in about a four-point range with a volume of only 46,000, which showed that the selling pressure was not yet great enough to bring about a big decline. It advanced to 134 and again declined to 123¾ on September 30, failing to go through the level made on August 12.

After this, a rapid advance started and in the week ending October 14, 1922, it advanced to 139⅝, the same level made on July 19. The volume of sales was 205,000 shares this week, which was an indication that selling was taking place and that you should sell out and go short with a stop loss order one or two points above the old level. The following week that volume of sales was 242,000 and the stock declined to 129, a plain indication that the selling was greater than the buying. The stock continued to work lower, but met with stubborn resistance around 123 to 122 where it held for two weeks.

Finally, in the week ending November 25, 1922, it declined rapidly to 116 and on Monday, November 27, it declined to 114¼, the same low level it made on the reaction May 13, 1922. Now the man who is simply standing at the ticker watching the tape would hardly remember that 114¼ was the low price made on May 13, therefore the last point where support was given, and from which it rallied to new high levels. But the man who had the record of the tape on a chart would certainly be watching this point. When it reached 114¼ large volume of sales appeared on the tape and it showed plainly that the support was there. This was the point to buy the stock protected with a stop loss order one to two points below the old resistance level of 114¼.

The stock rallied to 123¾ the week ending December 2, 1922, and the volume of sales was 240,000 shares, which

showed that the buying was better than the selling. Note that the two previous weeks the highest point was 125½. In the week beginning December 9, the stock was very active and the volume of trading large. A stock dividend of 25 per cent was declared, and the stock advanced to 134¼, the volume of sales being 500,000 shares for that week, which was the largest for any week since the stock sold at 37¾ in December, 1920. This was plain evidence that the public was buying stock and that it was in the zone of excitement and great activity which nearly always marks the end of a movement up or down.

The advance continued, the stock reaching 141¾, a new high level on December 27, 1922, which was just two days before it sold ex-stock dividend. The volume of sales for the week ending December 30 amounted to 240,000 shares. After the stock sold ex-dividend, it declined to 110⅜, then rallied to 119 on January 2, 1923, which would equal 148¾ counting the stock dividend of 25 per cent.

The total volume of sales between May 13, 1922, and December 30, 1922, amounted to over 7,000,000 shares. The range of the stock was 114¼ to 141¾. Now, this is where volume tells. Certainly when the capital stock has changed hands fifteen or twenty times in a range of 27 points, after this stock is up over 100 points, there is no question but what distribution is taking place and the stock is getting ready for a long decline. Therefore, instead of investors buying the stock because it pays 10 per cent, and has declared a 25 per cent stock dividend, they should sell out and go short.

Now, the question is to determine the position of the stock in January, 1923. After it advanced to 119, it started to decline and short sales would be in order with a stop loss order at 120 to 121. The resistance level at 114 having been broken, the trend of the stock is down, and when it breaks 110, the price made on December 29, 1922, it will be in a weaker position and should be followed down until signs of support, both in volume and time, are shown. By *time* I mean that the stock must hold a resistance level for several weeks without breaking lower. The period of time required to distribute Studebaker was about eight months,

or from April to December, 1922. Note the last period of accumulation when the stock sold around 65 and fluctuated between that price and 80, that the period of accumulation was about six months, or from June to December, 1921, and that the stock advanced 76 points from the low point made on August 25, 1921, and if you count the stock dividend, it advanced about 84 points.

This same rule and reasoning should be applied to any other stock that you wish to determine the trend of. During the period of accumulation or distribution, the man who tries to read the tape must get fooled dozens of times and make mistakes in trying to follow minor moves which do not mean anything. Therefore, the correct way to read the tape is to keep up a chart showing moves of from three days to one week and the amount of volume. Of course, you must consider the total outstanding stock and the floating supply. Again I *emphasize* the *fact* that the *correct way* to *read* the *tape* and *interpret* it *accurately*, is to *stay away from it.*

CHAPTER XV

WHEN THE TAPE FINISHES AND GIVES FINAL SIGNALS

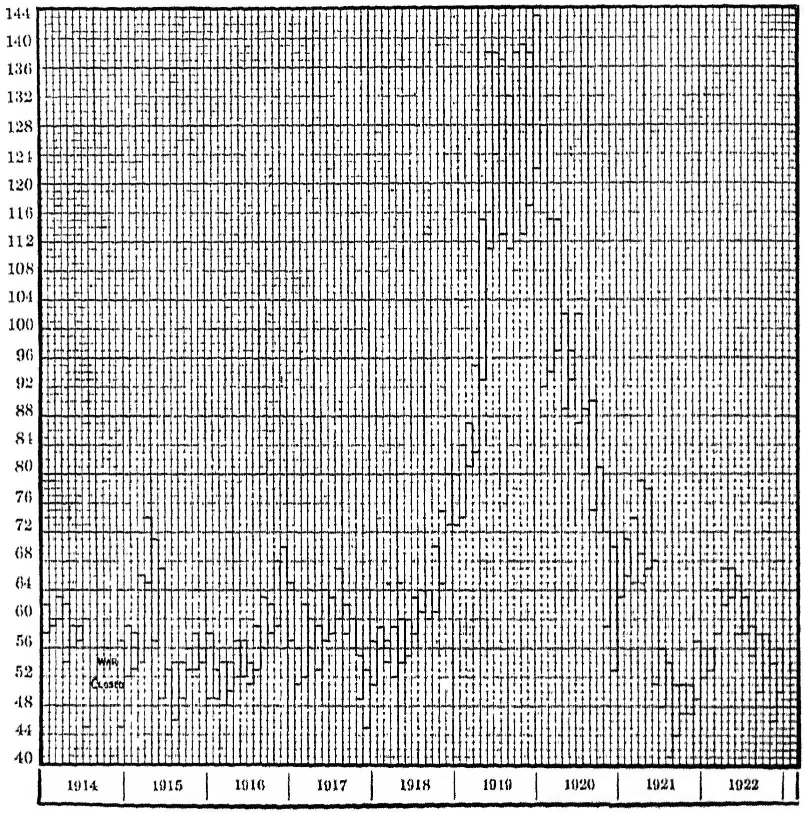
The truth that the tape has to tell you cannot be told in one day, in one week, or in one month. It begins to tell its story the first day that a stock reaches the buying or selling zone, but it requires time to complete the story; to assemble all of the facts; to finish the accumulation or distribution and give the final signal that a new move is on. Chart No. 3, showing U. S. Rubber at the top of 1919, is an important and valuable example of this.

U. S. Rubber.—When U. S. Rubber advanced to 138 in June, 1919, and reacted back to 124, then rallied to around 138 again, holding until August around the same level, it showed that selling pressure was sufficient to stop it. It declined to 111 in September; rallied again to 138 in October, made 139 in November; declined to 113 in November, receiving support 2 points higher than the September bottom. Then rallied to 138 in December and in January, 1920, advanced to 143, or 5 points above the high price made in June, 1919.

Now, making a new high, would ordinarily be an indication that it was going higher, but after a stock advances into new territory, if it is going higher, it will continue on up without breaking back below the old top levels. In this case, U. S. Rubber, within a few days, declined to 136 which showed that heavy selling had been encountered; that the new high level was made at the expense of shorts and outside buying; that the selling which started in June, 1919 was still there and that someone was supplying the stock.

A rapid decline followed in February, 1920, and when the stock broke below 112, which was under the last support point, it was a signal that distribution had been completed

Chart No. 3.—U. S. Rubber, Monthly High and Low. 1914-1922



and that a big downward move would take place. In the previous June, 1919, after U. S. Rubber had advanced from 45 in December, 1917, it showed that it had reached a level where heavy selling had commenced, but the tape could not tell when this selling would be completed, and all the stock distributed. But it did tell the final story in February, 1920, when it broke under 112 and promptly declined to 92, and never rallied above 115 again until it sold at 41 in August, 1921. All the way down the selling pressure was plainly indicated, and the stock continued to make lower tops and lower bottoms. The tape was telling part of its story all the time, but it did not show that it had finished until November, 1921, when, after three months in a narrow range, the stock moved up into new high territory.

Thus you see that after any big advance or big decline, it requires time to tell when the next big move is going to start, and the man who expects to read this from the tape, day by day, will get fooled many times. Therefore, he should wait until he gets a definite indication before deciding that the big trend has turned and a major move started. The larger the capital stock of the Company, or the more shares outstanding, the longer it requires to complete accumulation or distribution. The length of time, as well as the total number of points that a stock has moved up or down from high or low levels, must be considered in judging whether accumulation or distribution is taking place.

After U. S. Rubber was up 100 points from the low and had reacted from the same high level for eight months and after the panicky decline in November, 1919, had plainly shown that the bull market was over, you would not expect that U. S. Rubber making a new high, was going to very much higher levels. But you should wait a few days to see whether the price could be maintained before going short. The daily high and low, weekly high and low chart and the total volume of sales will help you to determine when a false move of this kind is made, and the trend reverses, because a move of this kind into new high territory, causes all the shorts to cover and leaves the stock in a weak technical position.

TIME FOR ACCUMULATION AND DISTRIBUTION

When a stock uses up several months' time either in accumulation or distribution, it will require then several months for the run between accumulation and distribution. All of the stock is not sold on the first rally, nor even on the second or third. Stock has to be bought and the market supported on the way up until it reaches a level where the supply is greater than the demand and the insiders are willing to sell out. Then it hesitates and moves up and down over a narrow or wide range, according to the kind of stock, until distribution is completed.

The same occurs when a stock starts down. It requires a long time to convince people that after a stock has been selling at 140, it is going down 100 points. Some people buy when it is down 10 points, others buy on 30, 40 and 50-point reactions, believing the stock cheap because they remember the price at which it formerly sold—140, with the result that when it continues downward, they all get scared and sell out, causing the last rapid decline which may be anywhere from 10 to 30 points.

If people would only learn to watch and wait, they could make a lot more money, but they are in too big a hurry to get rich, and the result is they go broke. They buy or sell on hope, without a reason.

BOOK III

HOW TO DETERMINE THE POSITION OF STOCKS

"Read, not to contradict and confute, nor to believe and take for granted, nor to find talk and discourse; but to weigh and consider."
—FRANCIS BACON.

A man has to buy and sell to make a profit, that is, he has to get in right and get out right. Then he must watch for the proper time to start his trade and the proper time to close it. Getting in right does not help if you fail to get out right. The time to act either when buying or selling must be determined by the condition of the market at the time and by the position of the individual stocks that you intend to trade in. You might be able to buy and make profits in some stocks after a bull campaign has about finished, while others you might be able to sell short and make profits after the major swing of a bear market has finished. This is fully explained under the chapters "How to Tell the Stocks in Strongest Position" and "How to Tell When Stocks Are in Weak Position."

Do not buy a stock of one group just because some stock in another group goes up. Neither sell a stock of the same group because some one of that group has already started down. Analyze the position of the stock you intend to trade in. Find out if it has passed out of the accumulation or distribution zone. Stop to think before you act; look before you leap; examine before you buy and remember that it is always better to be safe than sorry. It is much better to take a small loss quickly than to hold on and hope and take a big one later.

CHAPTER XVI

POSITION OF GROUPS OF STOCKS

It is very important to watch the position of the different groups of stocks. To be a success you must keep up with the times and follow the leaders. The way to do this is to keep up a monthly high and low chart on several stocks of each different group; also keep a yearly chart of the different stocks. The further back you have records the better you will be able to judge the position of a group.

Many years ago Traction and Railroad stocks were the leaders. Then followed the Copper boom. After that the Motors, Rubbers and Oil stocks. Of course, every few years some kind of a boom develops in different mining stocks, but they are a class of stocks which you have to be very careful of, as they are probably the most uncertain of all.

During the past few years the man who stuck to Rails has made very little money because the opportunities have not been there. The Motors, Rubbers and Oils have been the stocks which have made wide fluctuations and offered unusual opportunities for trading.

The day of Railroads is passing and the big fortunes will not be made in them in future. Competition is getting keener every day in the Motor industry and it will eventually narrow down to a good return on invested money, but will not produce enormous profits. For this reason you must be wide awake and in future look to the new things which will offer unusual opportunities and attract speculators, causing wide fluctuations.

In future you must watch for the new industries that develop and get into their stocks, just the same as the people who let Rails alone and got into motors and made a fortune. Those who sold out Coppers in 1916 and played the Oils in 1918 and 1919 made fortunes.

In my judgment, the Aeroplane and Radio stocks will be the ones in the next few years that will make fortunes as great as any that have been made in Oils or Motors. The Chemical stocks also offer great opportunities in future, as this country has made great progress along chemical lines since the war and the business is growing on an enormous scale.

A wide range is what the trader requires in order to make big profits. As long as stocks move between 20 to 100 points each year, you certainly will be able to make some money on the long or short side, probably both. But when they narrow down to 5 and 10 points in a year, your chances are very much against big profits.

In 1916 Copper stocks reached the highest level that they had made for many years. But in 1919 when Oils and Industrial stocks reached the highest level in their history, Coppers only had a moderate rally. After that they worked lower each year until 1920 and 1921. By keeping a chart of this group and some of the leading issues, you would be able to see that in 1919 the Copper stocks had been heavily distributed because they failed to rally to the 1916 level. Therefore, they were good short sales for a long decline.

CHAPTER XVII

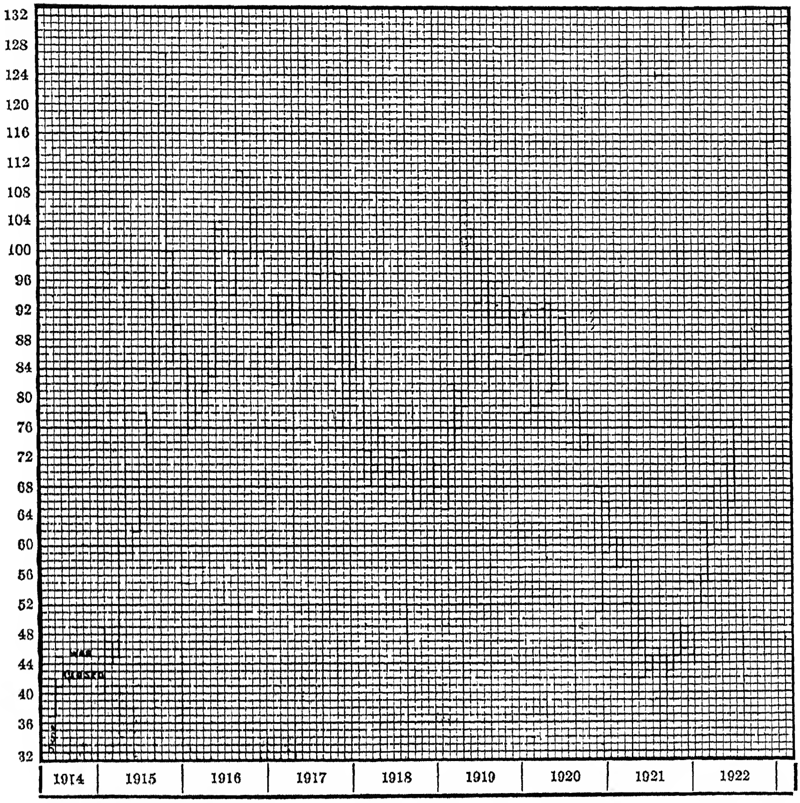
GENERAL TREND OF THE MARKET

There is always a certain group of stocks which will follow the general trend up or down, while others for a long time will work opposite to the general trend. The Dow-Jones 20 Rails and 20 Industrials for many years past have been the best guide for the main swings, but since the number of stocks listed on the N. Y. Stock Exchange have increased from 100 to over 700, naturally there must be a large number of stocks which will follow their individual trend and not the general trend of the market. Therefore, it is necessary to make a close study of the individual stocks and determine their trend regardless of the trend of the general market.

An example of this kind occurred in the decline in October and November, 1922. When all of the active leaders like Baldwin, Crucible Steel, Studebaker, and U. S. Steel were declining rapidly, Continental Can was advancing almost every day. Look at Chart No. 4 on Continental Can and see the different position it was in as compared to Baldwin Locomotive and other stocks. It had made a new high level and showed plainly that its trend was up, which it would follow regardless of the trend of the general market. I have explained this in regard to stocks that are late movers and those that finish before and after final accumulation or distribution is completed.

While you could have been selling Baldwin Locomotive, Crucible Steel and other leading stocks and making big profits in the decline of November, 1922, at the same time you could have been making big profits by buying Continental Can. Many traders foolishly sold Continental Can because it looked high, was advancing and paid no dividend. This was in direct violation of my rule to always sell the weak

CHART NO. 4.—Continental Can, Monthly High and Low. 1914–1923



stocks and buy the strong ones, which is really following the trend of each individual stock. By watching closely the daily high and low, weekly and monthly charts, you will be able to determine when each individual stock has changed its position from strong to weak.

CHAPTER XVIII

HOW TO TELL THE STOCKS IN STRONGEST POSITION

If you are waiting for an indication to buy stocks, you want to select the strongest stock in a certain group, as the stock which is in the strongest position is naturally the one that will lead in a Bull market and the one in weakest position will lead in a Bear market.

STUDEBAKER

Suppose in 1920 or 1921 you were watching and waiting to buy one of the Motor stocks. Note that the low price on Studebaker in 1917 was 34; again in 1918 low 34. The high in 1919 was 152. It declined to 38 in December, 1920, holding 4 points above the support levels of 1917 and 1918, which showed that it was in a strong position. However, the general group of Motor stocks in the Spring of 1921 did not show any sure signs of having made bottom, but Studebaker led the advance.

It made 93 in April, 1921; then followed the decline in May, June, July and August, which carried all the Motor stocks to new low levels. However, Studebaker, in August, 1921, when final bottom was reached in the general list, was still selling at 65, up 27 points from the low of December, 1920, while other Motor stocks were lower than they had sold in 1920 or the early part of 1921. This was a plain indication that Studebaker was receiving strong support. Otherwise, it could not gain 27 points while others were losing.

It remained in a quiet, narrow range from 65 to 72 for several weeks, showing plainly that it was well supported and being accumulated. If you had been waiting to buy

again, this would be the time. After that Studebaker worked up, making higher tops and higher bottoms each month, as shown on Chart No. 2.

On May 16, 1922, the low price of the reaction was 114¼; on June 12, 1922, low price 116⅝; then on August 11, 1922, the low of the reaction was 123; again on September 29, 1922 low 123⅞, showing progressive bottoms. On November 27, 1922, it declined to 114¼, the same support level of May 11 and 16, 1922, from which it rallied to 141¾ in December—the highest of the year.

A 25 per cent stock dividend was declared in November, 1922, and as the stock had been placed on a 10 per cent dividend basis in July, 1922, besides an extra dividend of $1.50, it was only natural to suppose that this was the last good news which the stock had discounted. After it sold ex-stock dividend in December, 1922, it declined to 110⅜, breaking all previous support levels and indicating that the trend had turned down. Therefore should be sold short on all rallies. It may remain in a distributing range for several months before it starts on a long decline, but at this writing shows plain enough that it is going lower.

RAILROAD STOCKS

On Chart No. 1 which shows the yearly high and low of the 20 Railroad stocks, you will notice that the extreme high price was made in 1906 and that after the 1907 panic stocks rallied in 1909 within a few points of the highest level. After that they continued to work lower. In 1916 and 1919 when Industrial stocks made the highest prices in history, as you can see by the chart, railroad stocks only made feeble rallies. In fact, after the rally in 1916 rails made lower bottoms and lower tops every year until June, 1921.

After the Average low price on Rails in June, 1921, they continued to advance, reaching 77 in December, which was the high of the year, as you can see from the chart. In January, 1922, they reacted to 73; then advanced to 78 in March, 1922, which was higher than the level of 1921 and the first time that Average prices had made a higher top on

the yearly chart since 1916. In fact, in 1916 the rally was only 4 points above the 1915 high and the big trend on Railroad stocks was really down from 1909 to 1921. So when finally they made a new high, it was a sure indication that the trend had turned and that they were going higher. They advanced to 93 on Averages in October, 1922, where they met with a resistance at the same high prices of 1918 and 1919.

Now, suppose in 1921 that you knew rails must reach bottom some time and were watching to find the strongest one to buy. Refer to New York Central Chart No. 5.

N. Y. CENTRAL

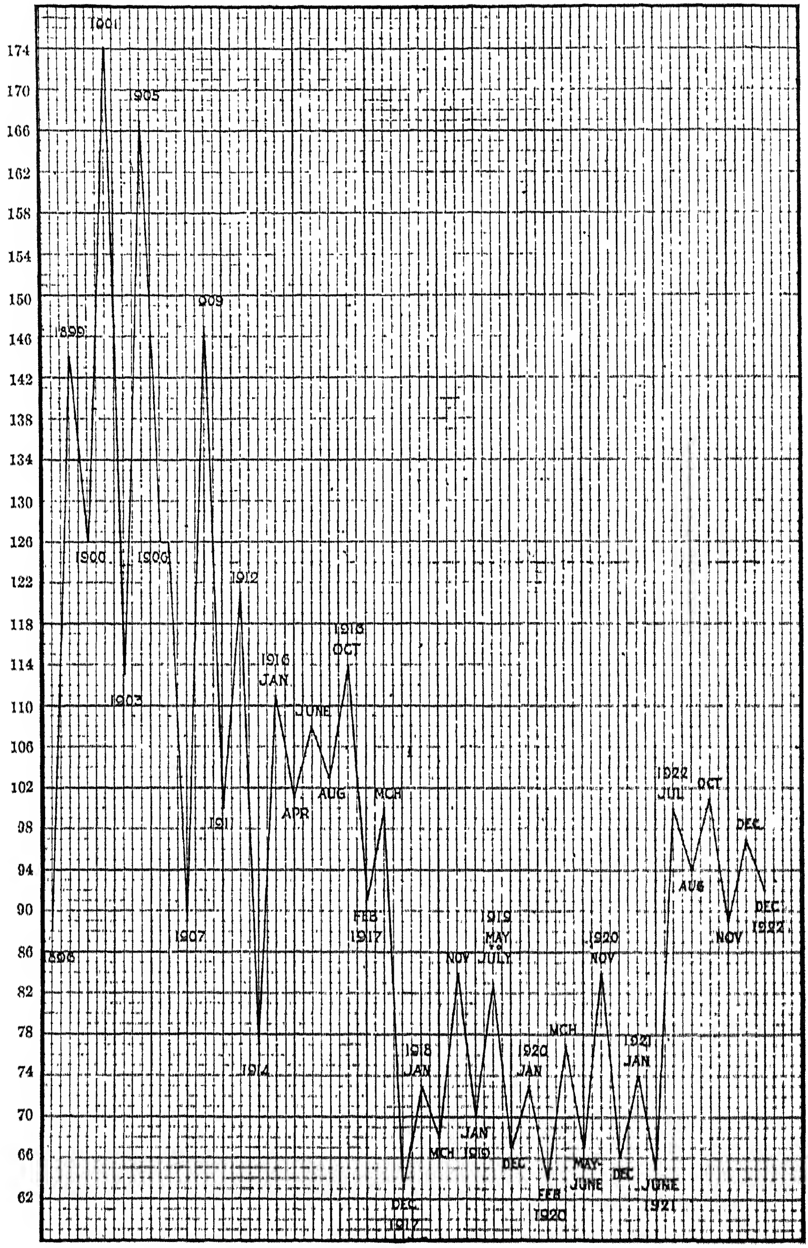
It is an old stock and you can get its record for a long number of years back and see how it established zones of accumulation and distribution. In 1893 low 90; 1896 low 88; 1907 low 89; 1908 low 90⅛. This shows strong support between 88 and 90, and that the stock had been bought around these levels in panicky depressions over a period of 15 years.

In 1914 it broke 88 and declined to 77. Now, after breaking the support of such a long number of years, it was a plain indication that the stock was going lower and that it should be sold short and that you should watch for a new base of support before buying again.

In 1917 Railroad Stocks declined below the panic price of 1914 and 1907. In fact, the Averages reached the lowest they had been for nearly twenty years. The Government was forced to take over the Railroads in order to handle business on account of the war.

In December, 1917, New York Central made a low of 63. In February, 1920 low 65; in June, 1921 it again sold at 65, showing that for four years it had received support at the same levels. Yet, during 1920 and 1921 Southern Pacific, Great Northern Pfd., Northern Pacific, Norfolk & Western, Missouri Pacific, Wabash Pfd. A and many other railroad stocks had sold lower than they had for many years. New York Central held up although the Averages of Rails were several points lower than the panic price of

CHART No. 5.—New York Central Swing Chart, 1896–1922



1917. This was another opportunity to buy with a stop 3 points under the old base of 63.

The high price made between 1917 and 1921 was 84. After being accumulated between 65 and 75, the stock crossed 84 in March, 1922. This was a signal for much higher prices, and if you wanted to pyramid, should buy more at this level. It advanced to 101 in October, 1922, where distribution started, and then began making lower bottoms, showing that the trend had turned down.

St. Paul.—Another rail that made lower prices every year from 1909 until 1921. It has shown accumulation for some time and at this writing both the common and preferred stocks now indicate that they are on the upward trend.

Rock Island.—Made a low price of 16 in December, 1917, and has been making higher prices each year. Note how it led the advance in 1922 and made a new high. This is the way to select the stocks to buy. The ones that will not go down, and make higher bottoms in years of depression, will certainly lead the advance when the turn comes.

Southern Railway.—Another stock that is now in a very strong position. Has made higher bottoms ever since 1913 and still indicates higher prices.

Union Pacific.—Low in the panic of 1907 was 100; in 1917 low 102. Another stock that you had a chance to buy at the old support level. February, 1920 low 110; June, 1921 low 111, a still higher support, and the place to buy with a stop loss order under 110.

You can see that Union Pacific made higher supports on each big decline from 1907 to 1921, while numbers of other railroad stocks were reaching new low levels all of these years, which showed that they were in a weak position and without much support. Union Pacific rallied to 154 in September, 1922, where distribution started.

BUYING AND SELLING POINTS

You follow this same rule in any group of stocks in order to locate the strongest or weakest individual stock of the group. When you have the record of a stock for a long number of years back and see where it gets its support in

extreme panic years and where it meets with resistance in boom years, you can easily tell the levels where it is safe to buy or sell with a risk limited to two or three points.

American Can.—The low in July, 1914 was 20. It advanced to 68 in October, 1915; declined to 51 in 1916; then advanced to 68, the same top, where it held for several months without going higher, giving you a chance to sell out and go short. It declined to 30 in the panicky break of 1917 and advanced to 68 in September, 1919, where it held for nearly two months without advancing into new territory. This was another opportunity to sell out and go short with a stop 3 points above the old level.

It declined to 22 in December, 1920, which was two points above the support level in 1914. It rallied to 32 and again in June, 1921 declined to 24, receiving support at a higher level. Then remained for four months between 24 to 29, showing plainly that the stock was being accumulated. You could then have bought again around these levels.

In the fall of 1922 it crossed 68, the old resistance levels, which was an indication for higher prices and you should buy more.

American Loco.—In December, 1920, low 74; rallied to 91 in May, 1921. Declined to 74 in June, 1921, receiving support at the same level and giving you an opportunity to buy with a stop under the old base. It advanced to 117 in April, 1922, which was the high price made in October, 1919. At this level you should have sold out and gone short with a stop loss order at 120, or 3 points above the top. It then declined to 109 and held for several weeks in a narrow range, failing to break the support level around 108, which was made in March and April, 1922.

In August, 1922, it made 118, crossing the old levels and indicating higher prices. It advanced to 136 in October, 1922, where it met with heavy selling and the trend reversed. In November, 1922 declined to 116, which was the old resistance level of October, 1919, and April and May, 1922. A stock nearly always gets support the first time it reacts back to old high levels and the main trend would be considered up as long as it stayed above old resistance levels.

CHAPTER XIX

HOW TO TELL WHEN STOCKS ARE IN WEAK POSITION

You always want to know the stocks that are in the weakest position, because they are the safest to sell short in a Bear market. The ones that show weakness first naturally will be leaders in a Bear market. After the trend turns down from the top and stocks have declined for quite awhile, the next thing which will show that a bigger decline will take place is the breaking of important support points.

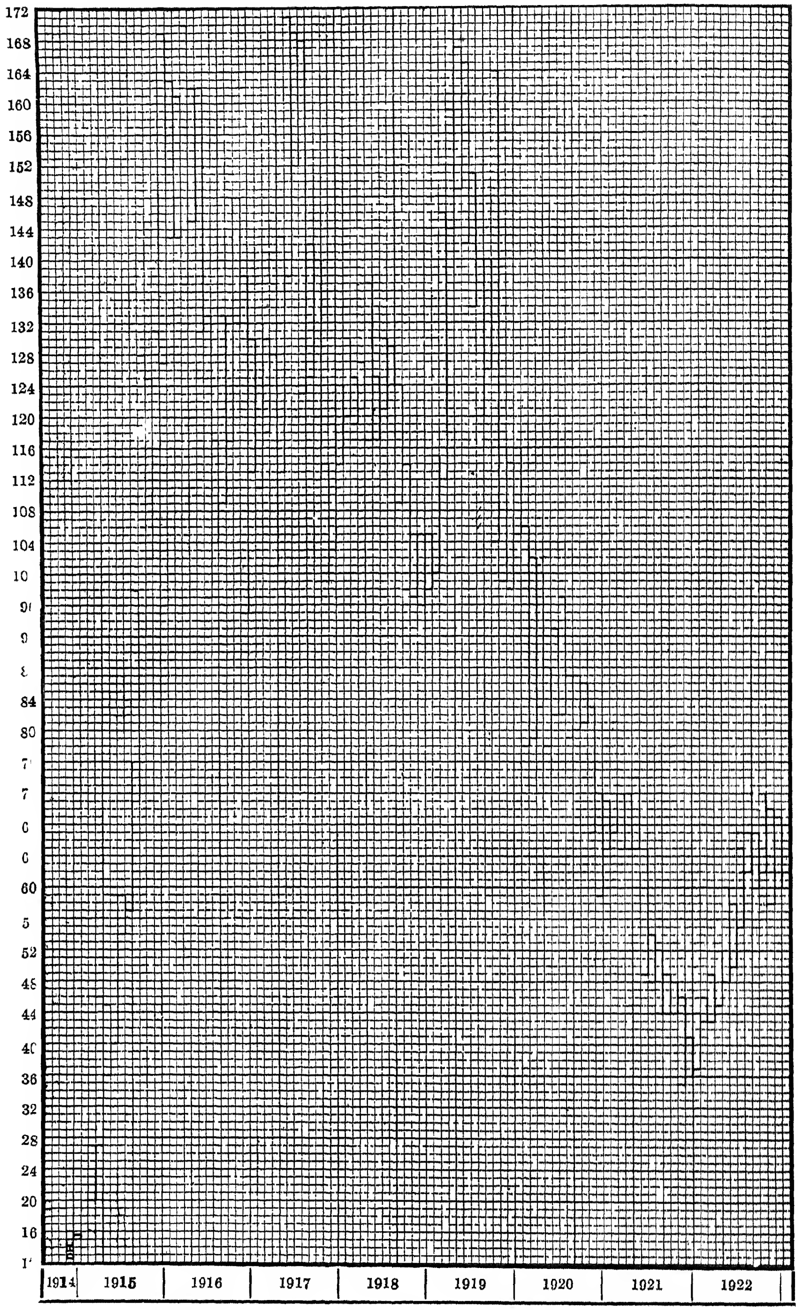
INDUSTRIAL ALCOHOL

Started up from a low price of 15 a share in January, 1915. Advanced to 170 in April, 1916; again in 1917 advanced to 171 and in May, 1919 advanced to 167. Declined to 120 in August, 1919, and made the last advance to 164 in October, 1919. Notice on Chart No. 6 that the selling zone from 167 to 171 extended over a period of four years.

Now, notice the support points. December, 1916 low 95; November, 1917 low 99; December, 1918 low 96; December, 1919 low 98. This stock showed distribution and that it was in a weak position, because in 1919 when Industrial stocks reached the highest Average in history, this stock failed to reach its previous high levels made in 1916 and 1917. Therefore, it was getting in position for a big decline.

When it broke the support of 95 to 99, it declined to 78; then rallied to 102, and continued to work lower until November, 1921. Yet, many other stocks made low prices in December, 1920 and in June and August, 1921, but Industrial Alcohol declined to 35. So you see what enormous profits can be made on the short side if you pick the stocks that are in the weakest position and continue to follow them down as long as the trend continues to show lower.

CHART No. 6.—U. S. Industrial Alcohol, Monthly High and Low. 1914–1922



Notice how many times you could have bought the stock between 100 and 96 and how many times you could have sold it around 165 to 170, making profits every time on both the long and short sides. Then, finally when the support around 96 was broken it declined 50 points more. Again I remind you that stocks are never too low to sell as long as the trend is down, and never too high to buy as long as the trend is up.

After Industrial Alcohol reached 35 it remained for about two months in a 5 or 6 point range and since that time has been making higher tops and higher bottoms. It reached 72 in October, 1922, and as this stock was one of the last to make low prices in 1921, it will naturally be one of the last to complete its upward swing.

If you had been short of this stock in June or August, 1921, when other stocks made bottom, there would have been no reason for covering as it was making lower prices every month and showing plainly that the trend was down. You should at least have waited to cover until it made a higher price than a previous month, which would have been 42, when it went over the high price of December, 1921.

ATLANTIC GULF AND WEST INDIES

Another stock which had a phenomenal rise in the Bull campaign of 1919. Notice that its support levels in 1917 and 1918 were between 88 and 92. You could have bought it around these levels numbers of times and sold it out with profits of 15 to 20 points. It had a top, or resistance level from 1917 until the early part of 1919 between 117 to 120, where you could always have sold it and gone short. It declined to 92 in February, 1919. The previous low price was 89 made in December, 1917. This was the place to buy, protected with a stop under the old support levels.

It advanced and in April, 1919 crossed 120, which was an indication for much higher prices. In May, 1919 it crossed the high of its history, 147; advanced to 188 in June; reacted to 140 in August; advanced to 192 in October, 1919.

After that it began making lower bottoms and lower tops. In February, 1920 it declined to 137; rallied to 176 in April, 1920, where it again was distributed for several

months, finally breaking the support of 137 and continuing the decline, the rallies getting smaller all the time.

In November, 1920 it broke through the supports at 92 and 88, which left no other support level except the low price of 27 made in 1916. It declined to 62 in December, 1920, and while other stocks were rallying in January, 1921, it continued on down, finally declining to 18 in June, 1921.

After making bottom for two months at 19 it started to rally. Advanced to 36 in December, 1921; reacted to 24 in February, 1922, holding for several weeks at this higher support point; advanced to 43 in May, 1922; then declined to 19 in January, 1923, where it was again supported, and you should buy with a stop two to three points under.

Thus, you can see how safe it is to sell a stock and keep short of it as long as it shows weakness, regardless of what other stocks are doing.

CHAPTER XX

JUDGING FINAL TOPS AND BOTTOMS

Before any stock, or group of stocks, starts on a big advance or decline, a long period of time is required for preparation, or accumulation or distribution. It requires time to prepare and lay the foundation for a building. The larger the building, the more time required to construct the foundation. It is the same with stocks. The greater the advance or the decline, the more time required in preparing for it. For example:

U. S. STEEL

Take U. S. Steel which was incorporated February, 1901. It was a new stock and the largest corporation of its kind in the world at that time. Its common stock was all water, and as water seeks its level, Steel common with its five million shares of water had to seek its level. It required many years to reach that level. The stock declined from 55 in 1901 down to 8⅜ in 1904. When it reached the level of 12 it remained from December, 1903 to September, 1904 fluctuating between 12 and 8⅜. Most of the time the fluctuations were between 9 and 10. It was at very low ebb, slow narrow fluctuations with very small volume of sales. This is where accumulation took place, which required about ten months and gave you ample time to watch it and see that it was receiving support. You did not have to be in a hurry about buying, as it was preparing for its long advance.

We will overlook the top at 94⅞ in 1909. However, you can look it up for yourself and see that the entire capital stock changed hands several times between 88 and 94, and some days the trading in this stock alone ran over half a million shares, which, of course, showed that it was being

distributed. Now, look at the final top in November, 1916 on Chart No. 7, when it reached 129¾. There was a wide range of fluctuations and big volume. It declined to 101 in December, 1916, rallied to 115 in January and early February, 1917, and on February 3, 1917, when the Germans declared the U-Boat war, it declined to 99, which was only two points under the December low. Then the advance started, which carried it up to 136⅝ in May, 1917.

The volume around this top was over fifteen million shares, or three times the total capital stock. Note the 3-point chart, which shows how active it was and how it was moving up and down while distribution was taking place. The distribution of this stock was really going on from October, 1916 until May and June, 1917. Therefore, the man who wanted to sell out and go short had plenty of time to watch the stock and determine when distribution had been completed. It was getting ready for a long decline, but had advanced 98 points from its extreme low level of 1914, and it required time to distribute it. But note after distribution was completed, how rapidly it declined, reaching 80 in December, 1917.

The general impression among the public is that "as steel goes so the market goes"; that is, they feel that U. S. Steel is the leader, either up or down. There was a time when it was the leader, but it is not now. The majority of stocks made high prices in October and November, 1916, and were at much lower levels in May, 1917; yet U. S. Steel went 7 points higher in May, 1917 than the high of November, 1916. People who bought other stocks, expecting them to follow the lead of U. S. Steel and make higher prices than in 1916, got badly fooled and lost their money. This is another illustration and proof of my rule: "Do not buy stocks of a different group because some other stock is strong."

GENERAL MOTORS AND STUDEBAKER

Trade in the stock that gives the strong or weak indication; do not try to pick one to follow it. Judge each stock according to its individual position,—by Time, Space and Volume. Do not expect General Motors to have a big

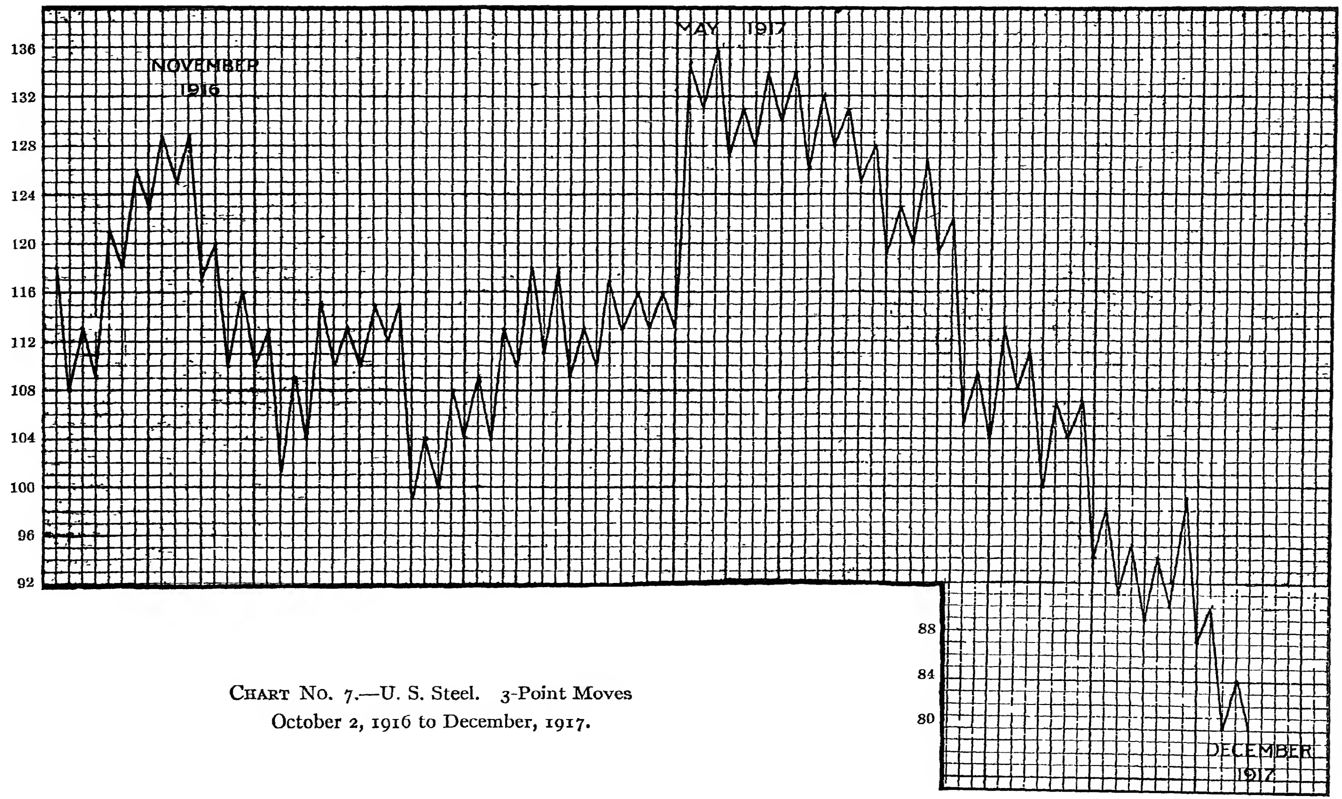


CHART NO. 7.—U. S. Steel. 3-Point Moves
October 2, 1916 to December, 1917.

advance because Studebaker has already advanced. Look up General Motors chart and note its position. Also consider that it has a capital stock of fifty million shares, while Studebaker has only 750,000 shares. Don't forget it requires buying power to put a market up and selling pressure to put it down. It requires a much larger buying power to move a stock with several million shares than it does one with only 750,000.

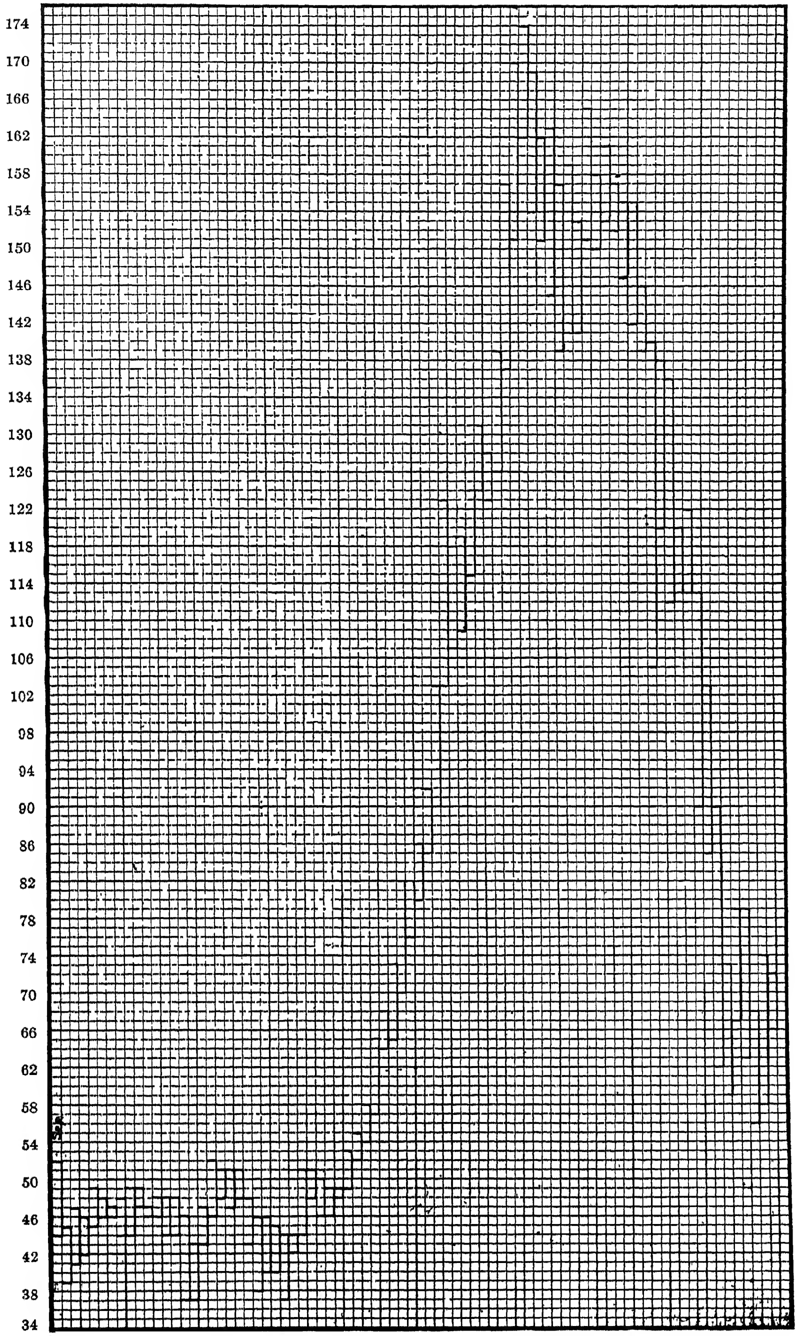
Did you ever stop to consider that with a stock like General Motors, each point up or down means a gain or loss of fifty million dollars on the total capital stock? This is why so much buying and selling occurs at every point and why it moves so slow. When General Motors increased its stock in 1920 and issued 10 for 1, the price was 42 in March, 1920, which equalled the value of 420 per share for the old stock. A slow decline started. It reached 13 in December, 1920, which was nearly 30 points down in nine months' time. This big decline was produced because with fifty million shares, there was no pool that was willing and had the money to support it. It continued to decline until it reached the low price of 8 in January, 1922; then advanced to 15 in June, 1922.

This advance of 7 points seemed very small compared with what Studebaker and other motor stocks were doing. Yet, the percentage was just as great. Studebaker advanced from a low of 65 in 1921 to a high of 141 in 1922, which was a little over 100 per cent increase on its selling price, and General Motors advanced from 8 to 15, nearly 100 per cent on its selling price. So many people get fooled in buying low-priced stocks and simply hope and expect them to advance in points almost proportionate to a high-priced stock. Low-priced stocks do advance and decline in proportion to high-priced stocks, and even greater at times, when you figure the percentage on the price at which they are selling.

AMERICAN SMELTING AND REFINING

Note Chart No. 8 on American Smelting and Refining, and the long period of accumulation from September, 1901 to May, 1904 when it made a range from 37 to 52. Now,

CHART NO. 8.—American Smelting and Refining. Monthly High and Low, 1901–1908



when once it broke out of this range of accumulation, it was a plain indication that the advance would last for a long time, and that it would be a big one. It advanced to 174, never having any big reaction. It reached the high price in January, 1906; then distribution started which lasted for a year. It fluctuated between 174 and 138 and finally in January, 1907, broke under the distribution point of 138 and declined rapidly, reaching 56 in February, 1908. Thus you see that after great activity and a long time in a narrow or wide range at top or bottom, a big move follows in which you can make profits rapidly. Then how foolish it is for anyone to try to buck the trend or to hold on and hope when stocks start to go against them.

Suppose that when the advance in this stock started, you sold short around 50 because it was near the old high price. When it crossed 52, it plainly showed up, because it was in new territory. Suppose you decided to wait for a reaction to cover your shorts, which reaction did not come. The stock advanced to 62, 72, 82, 92, and on up to 174. What good would margin do? You would simply be throwing your money away, because you would be bucking the trend. Again let us suppose that you started selling short at 100, and tried to average, as so many people foolishly do. You would have been ruined.

The same thing applies to the man who bought the stock around 138 in early 1907, and it declined to 56. What chance would he have, trying to average or by buying the stock outright and paying for it? He never would have gotten out. Just go over records of stocks for as many years back as you like and study them, and you will find out that it does not pay to buck the trend or try to average. The proper way to trade is to go with the trend, and pyramid while you are making profits, and not when the market is going against you. I reiterate: *Stop your losses quickly and let your profits run.*

PROGRESSIVE TOPS AND BOTTOMS

It always pays to keep a chart of Averages of any group of stocks, as you can then judge when they have reached a

level where they are receiving support or being distributed. But, of course, you cannot trade in Averages; therefore, must keep a chart of some of the individual issues of each group in order to determine the best ones to trade in and the right time to buy or sell.

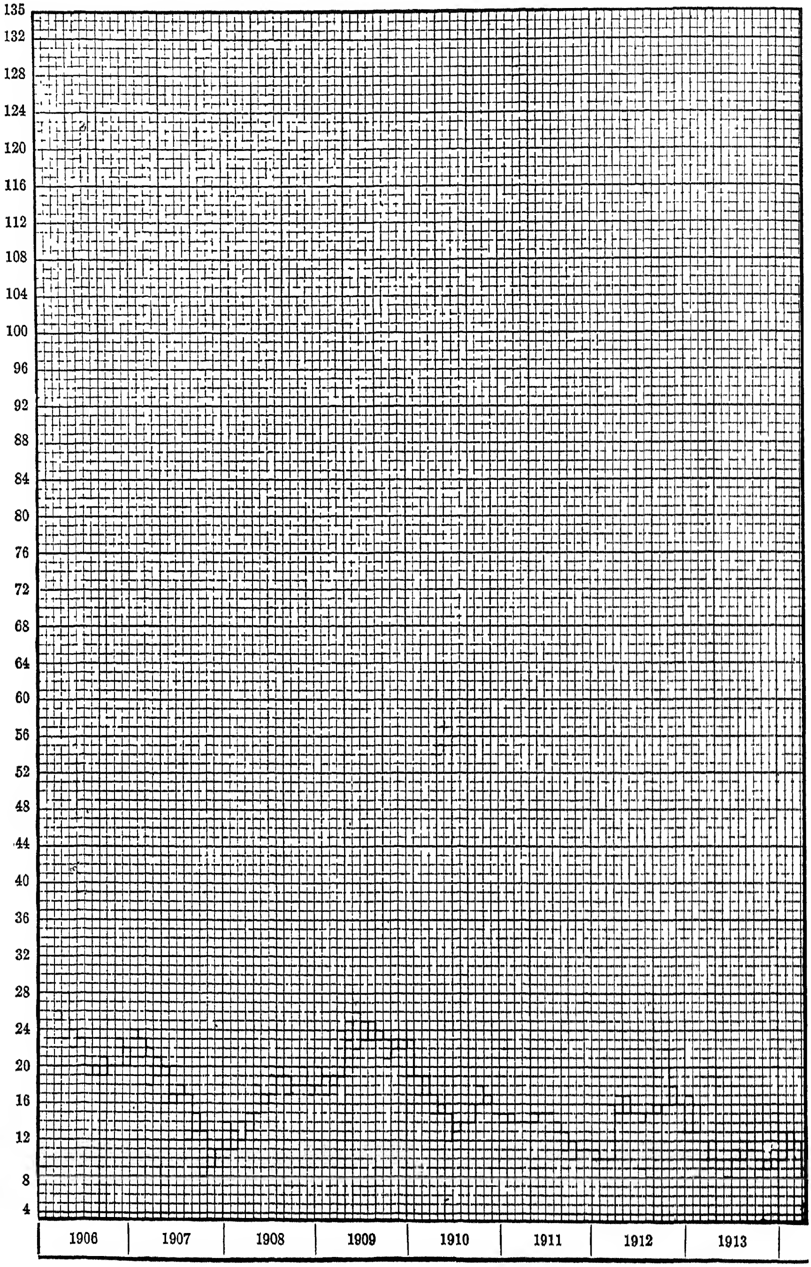
On active stocks 5 to 10-point moves will help to show when tops or bottoms are being made. On stocks selling 25 to 60 per share 3-point charts will show best, but on stocks selling 100 to 300 per share 5 and 10-point moves are much better because it requires a wider range in which to buy or sell a large amount of stock.

Sometimes stocks require several years to lay a foundation for a big Bull or Bear campaign. Suppose you were keeping Oil stocks in 1913 and were watching for something which would lead an Oil boom when it developed. Take California Pete.

California Pete.—The low in 1913 was 16; 1915 low 8; 1916 low 16; 1917 low 11, at which price it remained in a narrow range for about four months, showing that the stock was receiving support at a higher level than the low price of 1915. Having declined from 72 a share, the high price in 1912, it had shown accumulation between 16 and 8 from 1913 to 1917.

It advanced to 56 in 1919; declined to 15 in November, 1920, and advanced to 71 in July, 1922. This is what we call "progressive" bottoms, i.e., each support several years apart being higher. 1915 support 8; 1917 support 11; 1920 support 15; and in 1921 low 30. As long as a stock makes higher bottoms and higher tops, the trend is up and it is safe to follow the advance. This rule applies to daily, weekly, monthly or yearly movements.

Mexican Pete.—Another example of progressive bottoms or higher support. In 1913 low 42; 1914 low 51; 1917 low 67; 1918 low 79. In October, 1918 made its first big advance to a new high and reached 264 in October, 1919; declined to 84½ in August, 1921, making a still higher bottom than the last bottom in 1918. So you see all of these years Mexican Pete was receiving support at higher levels, which showed that it was preparing to reach extreme high levels before distribution would take place.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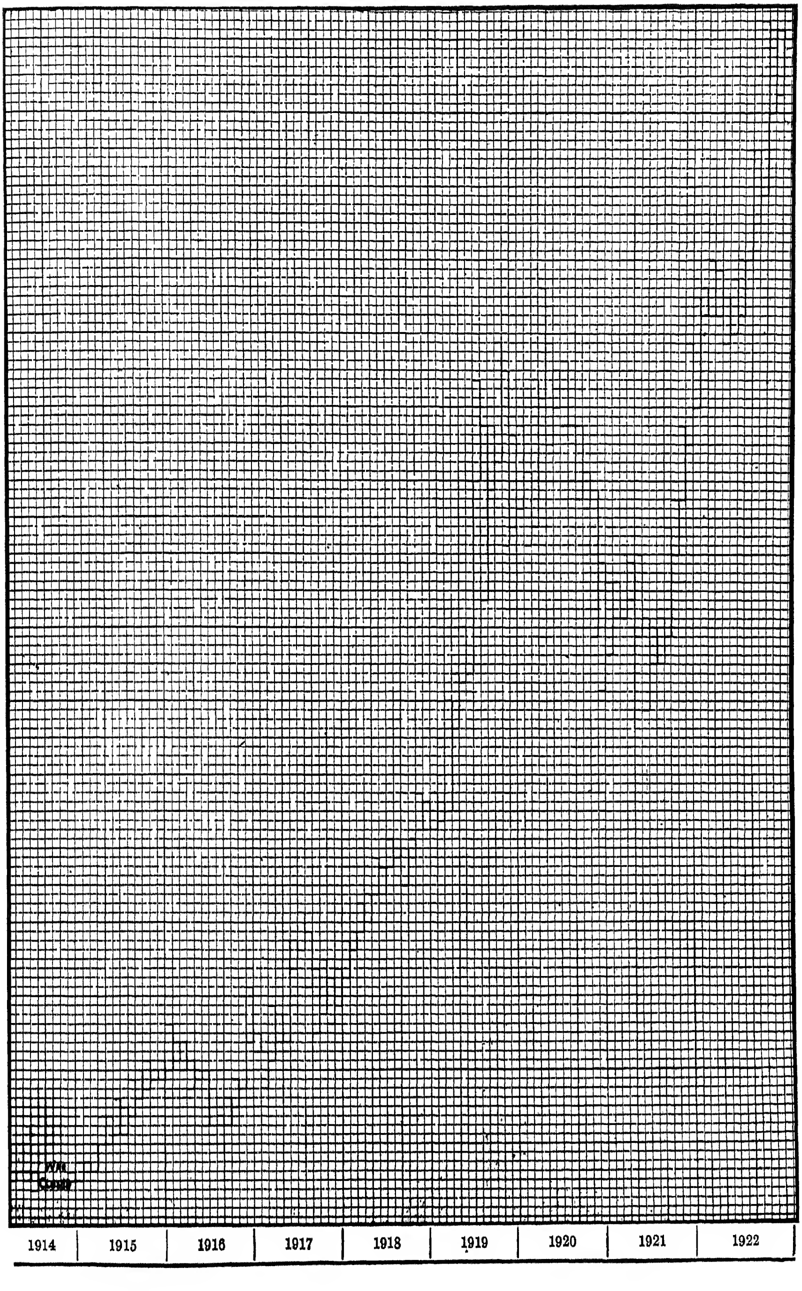
Monthly High and Low. 1906-1922



Look up in the same way any stock you are interested in or wish to trade in and note its position over a long number of years. The larger the accumulation or distribution and the more time consumed at top or bottom, the greater the advance or decline will be. As an example,—see Chart No. 9 on Corn Products.

Corn Products.—Sold at 28 when it was first incorporated in 1906. It declined to 8 in 1907; advanced to 26 in June, 1909; declined to 10 in 1912; advanced to 22 in 1913; declined to 8 in 1913; rallied to 13 in 1914; declined to 7 in July, 1914. It remained in a narrow range and did not sell above 10 until the Spring of 1915.

It was first supported at 8 in 1907; again at 8 in 1913; and on the extreme war scare sold at 7 in 1914, and showed a long period of accumulation. 28 had been the high of its history, which price was made in 1906. It crossed this level in 1917. This was a period of ten years that the stock had ranged most of the time between 20 and 8, showing a long period of accumulation and getting into new high territory showed that it was in position for a big advance.

In 1919 it advanced to 99; declined to 77; then advanced to 105. In December, 1920 declined to 61; rallied to 76 in March, 1921; then declined to 59 in June, 1921, receiving support two points lower than the previous level. Then it advanced to 134 in October, 1922.

Thus, you see that after the stock crossed its high level for ten years, it became more active than ever, never reacted below 24 and steadily advanced to 105 in 1920, the reactions being very small and every bottom higher and showing plain indication of the upward trend.

It is just as important to determine where stocks reach top or distributing zones in order to sell out and go short as it is to find accumulation and the bottoms at which to buy. Refer to Chart No. 3 on U. S. Rubber:

U. S. Rubber.—Notice that it reached 138 in June, 1919; made the same high in July; made 137 in August; again in October made 138; in November 139, and in December, 1919 made 138. During all this time the bottoms had been between 111 and 117. The stock was finally rushed up to a new high of 143 in January, 1920, and quickly broke back,

which was an indication that distribution had been completed and that it was ready to start on the long decline.

It began making lower tops and lower bottoms every month, but when it broke through 111, it showed that all support had been withdrawn and that distribution had been completed. The stock declined to 41 in August, 1921. Its support points from 1914 to 1917 had been between 44 and 45.

You might ask why certain stocks reach levels over a long number of years where they meet with support or resistance. The reason is that the same men manipulate these stocks. They are usually on the inside and know something about their value. Therefore, they buy them around a certain level and hold until they reach a level which they consider high enough; then sell out and go short, or wait until they decline to around the same levels again, where they buy for another campaign. You should study very carefully the stock that you trade in, in order to determine what its past points of support and resistance have been.

THE SIGNS OF A CHANGE

When you see the clouds gather you know that it is a sign of rain, and you seek shelter, because experience has taught you that certain formations of clouds invariably indicate rain or storm. When you see the same signs in the stock market that have always meant distribution in the past, you should take it as your warning, stand from under, and protect yourself against the decline. Likewise, when you see the same kind of bottoms that have always indicated accumulation, you should cover shorts and buy.

You judge a tree by the fruit it bears; in stocks you must judge each by its own signs and signals and not by what other stocks do. When you get an indication and the time comes to buy or sell, place your order at the market; do not limit buying or selling prices. This often causes losses because you miss your market by an eighth or a quarter and thus lose big profits. When it is time to get in or out, never quibble over a fraction; do not lose points by trying to save an eighth.

CHAPTER XXI

NUMBER OF TIMES A STOCK FLUCTUATES OVER THE SAME RANGE

Very active stocks and those that are high priced, when they reach a level where the insiders want to unload, make rapid moves up and down for several months over a wide range, which causes traders to buy and sell because there are unusual opportunities. The stock remains around the high level long enough for them to become accustomed to the price and feel safe enough to buy.

Suppose that a stock has advanced 20 or 30 points straight up, without much reaction, and it reaches top. It can not be distributed in one day, one week, or one month, but the sure sign of accumulation or distribution is a stock moving up or down many times over the same range, especially making moves of 5 points or more without getting above its high point, and at the same time not breaking under its resistance levels on the down side. Sometimes a stock will move over the same range anywhere from 10 to 20 times, working up and down.

Note Studebaker in 1922, and Industrial Alcohol, U. S. Rubber, and American Woolen in 1919. You will see how they fluctuated up and down over a wide range while distribution was taking place. Studebaker moved up and down over the same range over 20 times between 114 and 139 between May and November, 1922. The big swings up and down over this same range were only 5 or 6 times, but counting 5-point moves or more, it covered the same territory over 20 times. That showed that distribution was taking place, and that it was preparing for a long move down.

WHEN TO STAY OUT AND WATCH

If you have been successful and followed a bull campaign up for many months and accumulated a big line of profits,

you must be on your guard for the first real indication of a change in trend and the end of the bull campaign. When you get this sign of the end, which, as I have explained, is larger volume and rapid, feverish fluctuations, then get out, watch and wait; that is, sell out your long stocks and wait for the opportunity to go short. *Never be in a hurry to get in again once you are out with a good profit.* Opportunities always come again in the stock market if you only have the patience to wait for them.

Another time when you should get out and watch is after the first signs are shown that a bear market is culminating. It takes time to accumulate stocks and you do not want to get in too soon. If you have made big profits on the way down, you can afford to wait a few weeks or months until the signs are plain that another bull market is starting.

INSIDE INFORMATION

Wide fluctuations occur more often at high levels than at low levels, because distribution is taking place. When stocks reach very low levels after a final drive, they slow down and often work for some time in a very narrow range while accumulation is taking place. Accumulation and distribution are exactly opposite. When the insiders want to sell stocks, they make all the noise possible and do everything to attract the attention of the public and create a large public buying power. When stocks decline to low levels and they want to accumulate a large line, they work just as quietly as possible. They use every means to disguise the fact that they are buying stocks, and do everything to discourage the outsiders from buying them.

There is nothing wrong in the tactics employed by manipulators. It is simply business policy, and you would pursue the same policy if you were in the same position. They must buy stocks from some one, and they want to buy them as cheap as they can. Then you cannot expect the fellow on the inside, if he is honest and working for his own interest, to tell you that he is buying. Neither can you expect, when stocks get near the top and he is selling, that he will tell you that he is selling out, because he thinks they are high

enough. He would be a fool if he did, because in order to cash in and get his profits, he must sell stocks to some one.

So many people believe the only way to make money in the stock market is by getting "inside information." I can tell you, after twenty years' experience, that inside information is impossible, and the sooner you get the idea out of your head that inside information will help you, the better off you will be. If you were playing poker with a man, would you expect him to show you his hand, and not expect to see yours? He certainly would not, and you know that he would not. If he did, you would win all his money. Then, why do you expect the man on the inside, whether he be a banker, pool manager, manipulator, investor or otherwise, to tell you what he is doing when he is trying to make a market to sell out a line of stocks or to accumulate a line?

You may be able to find out what he is doing if you can interpret the tape correctly, because it tells the story of everybody's buying and selling, and it never lies if you know how to read it right, for neither the insiders nor the outsiders can hide or disguise the amount of buying or selling. Every share bought or sold is registered on the tape. If you know how to correctly analyze the volume of sales and space movements, you will be able to tell when to buy and sell.

The most important thing of all is the *Time* factor, which I use in making up my annual forecasts. It is not my object here to give away that secret, but I am showing you plain enough and giving you rules enough that, if you follow them, you will be able to make a success in the stock market. The price you pay for this book means nothing. One idea that I give you may be worth thousands of dollars to you in the next five to ten years' time, if you will only follow it. If I only succeed in teaching you how to avoid losing your money for the first three to five years, and you can keep even and get experience, then there is no estimating the value of this knowledge, for after a few years' experience and study, you will then be able to make money rapidly.

CHAPTER XXII

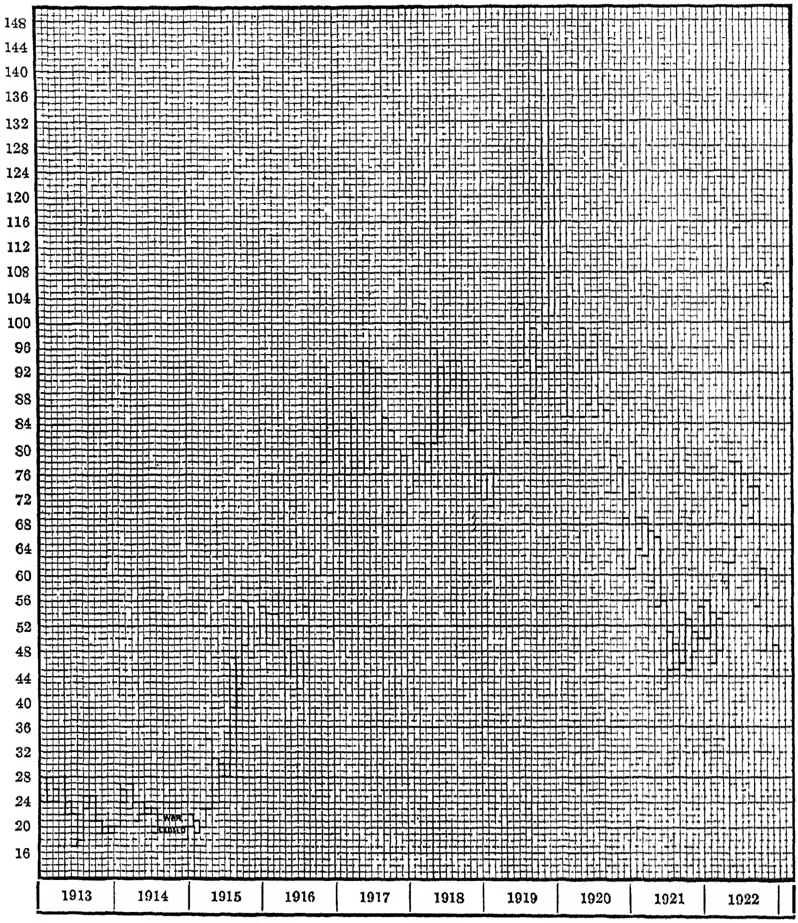
CROSSING OLD LEVELS

When stocks establish certain levels of accumulation or distribution over a long number of months or years and then cross them it is almost a sure sign that they are going to new high or low levels before they meet with resistance again. As a rule it is always safe to buy or sell a stock around old bottoms or tops with a stop loss order three points above or below previous high or low prices. For example: see Chart No. 10 on Republic Steel.

Republic Steel.—In 1916 the high was 93; 1917 high 94; 1918 high 96. It was a sale every time it reached these levels. In 1919 it crossed 96 and advanced to 104; then reacted to 81; crossed 96 the second time and advanced to 145. A stock going into new high territory the second time is always safer to buy than the first time, as the first time it goes through it is likely to meet with a lot of selling to drive it back, but the second time the stock has all been absorbed and it is easy for it to advance. Note from 1914 to 1919 the bottoms were "progressive" or higher on Republic Steel.

Wabash Pfd. A.—December, 1916 high 60. Worked lower each year, making lower bottoms and lower tops until December, 1920, when it reached 17. It ranged between 18 and 24 all during 1921, while accumulation was taking place. Declined to 20 in August, 1921, making another higher bottom, and sold at 20 every month from August, 1921 to February, 1922. Here was a strong indication of support and you should buy the stock with stop at 18, and buy more when it crossed the high price of 24 made in 1921. It advanced to 34 in April, 1922, which was the old resistance level of October, 1920. Distribution took place and it declined to 23 in December, 1922, receiving support and remaining in a 2-point range for several weeks; then started upward again.

CHART NO. 10.—Republic Steel, Monthly High and Low. 1913–1922



In studying the different groups of stocks, you should watch the position of each individual stock to see which one is in position to lead an advance or decline.

Crucible Steel.—Started its big advance in 1915 and made 109⅞. It made lower tops in 1916, 1917 and 1918. The bottom in 1916 was 51; in 1917 low 46; 1918 low 52. When the stock crossed the high price of 1918, it was an indication for a further advance, and when in 1919 it had crossed the top of its history, 109⅞ made in 1915, it was a sure indication that it was going to make extreme high prices.

The fact that it held around 46 to 52 for three different years on declines showed accumulation. Crucible advanced to 278 in 1920, which, of course, was an extreme price and not based on intrinsic value. Therefore, after doubling the capital it suffered an extreme decline back to 49 in August, 1921, where it was again in its old zone of bottoms and was a purchase for another advance.

CUTTING AND INCREASING DIVIDENDS

I have stated before that you should never sell stocks just because they do not pay dividends, nor buy them because they do. In December, 1921, Crucible advanced to 69. It was then paying 4 per cent. It declined to 53 on February 27, 1922. Early in March the dividend was passed, when the stock was selling around 58. It declined to 53½ and failed to break the low price made before the dividend was passed. This was an indication that the passing of the dividend had been discounted, and that if the stock could hold above the levels previously established, it was a purchase regardless of dividends.

It advanced to 98 in September, 1922, which was the level from which the last break started in 1921. Around this time a new issue of stock was offered to stockholders at $100 per share. This caused selling in the old stock and reversed trend, the stock declining to 59 in November, 1922.

Always watch a stock when new stock is offered at a price around which the old stock is selling. If the old stock fails to get higher than the price at which the new stock is offered,

it is an indication of good selling and you should sell out and go short.

United Retail.—Another instance of the effect of dividend reduction is United Retail Stores. The low price made in December, 1920 was 46. The stock rallied to 62 in May, 1921; declined to 47 in August, 1921, again receiving higher support. It advanced to 57 in January, 1922 and showed every evidence of having been accumulated for the past year. In February, 1922, when the stock was selling around 53, the dividend was cut and it declined to 44.

Now, if you had bought around the old level of 1920—46—and placed a stop 3 points away, or at 43, it would never have been caught. During March, 1922 the low was 44 and the high 47, a 3-point range for a month, which showed that the stock was being supported. It opened at 45 in April; then the advance started. Suppose you had waited until it crossed the high price made in March and bought at 48. In a little over thirty days after that time, the stock advanced to 71. After reacting 10 points, continued on up to 87 in October, 1922, the old resistance level of 1920, where it met with heavy selling, and declined to 66 in December, 1922, another resistance level.

This shows you that the insiders knew a long time before the dividend was cut that it was going to be cut, and they were buying the stock. Now, all you had to do was to wait and see if they would give it support around the previous low level. After they had held it for two months without permitting it to break 3 points under the old bottom, it certainly was safe enough for you to buy and risk 3 points on.

In many instances when dividends are cut it is the time to buy as the worst is known and has been discounted. As a rule when dividends are increased and extra dividends paid, the insiders are distributing stock and they bring out the good news in order to entice the public into buying. I could cite you hundreds of instances, but one example will suffice.

U. S. Steel.—Advanced to 136⅝, the high of its history, in May, 1917. It was paying 5 per cent dividend. The dividend was then increased, or an extra dividend paid, which equalled 17 per cent. But the stock never sold as high again and declined to 70¼ in 1921, because the insiders knew that

the earnings were the best they probably would ever be and it was the time to bring out the good news and facilitate distribution of the stock.

Book Values.—Another thing I wish to call your attention to that misleads many an investor is "book values." Statisticians had figured the book value of U. S. Steel at around $250 a share in 1917, and, of course, the poor suckers who bought it at the top thought it would go there. As far as the advance in price is concerned, "book values" mean nothing, because the company is not going to be liquidated. Therefore the book value is only good to create false hopes and make people buy and hold on, thinking that the stock should sell somewhere near its book value. Not one stock in a hundred ever sells anywhere near the book value.

In February, 1915, U. S. Steel passed its dividend. The stock was selling around 40. It declined to 38 and has never sold lower since. That was the time to buy a real bargain, not when it paid 17 per cent and sold above 130.

In 1915 the high on U. S. Steel was 89; in January, 1916 low 80; again March and April, 1916 low 80. The stock held in a range of 9 points for nine months and in August, 1916 advanced to 90, which was above the high price of the previous year. After holding for so long in a narrow range, it was a sure indication of a big advance, because the stock had been accumulated. Otherwise, it would have declined below 80. It advanced to 129 without reacting five points.

After the high price of 136⅝ in May, 1917 it declined to 80, the low price made in 1916, where it received support. According to the rule, you would have bought with a stop 3 points away, or at 77. It advanced to 116 in August, 1918. Remained two months around 116, which showed that distribution was taking place and that you should sell out and go short with a stop 2 or 3 points above 116. It declined to 89 in January and February, 1919; remained for two months in a very narrow range without breaking the bottom of the previous month. Here was another chance to buy with a stop 2 or 3 points under the old bottom.

The stock advanced to 115 in July, 1919, failing by one point to reach the 1918 top. Here you should sell out and

go short again with a stop above the old levels. The stock continued on the down trend and in 1920 broke the bottom of 89 made in 1919 and also broke the support points at 80 made in 1916 and 1917, which showed that support had been withdrawn and that it was going lower. It declined to 70¼ in June, 1921. Remained in a narrow range during July and August, fluctuating between 72 and 76. This showed that accumulation was taking place and that you should buy with a stop loss order under 70, or buy as soon as the stock crossed the levels made for two months, which showed that the trend had again turned up.

It advanced to 111 in October, 1922, where it reached the distributing zone of 1919 and 1920. At this writing it shows that distribution is taking place and the stock is getting ready for another downward move before the end of 1923.

You should always study each individual stock separately and learn how to follow its moves. No two work just exactly alike; neither do all stocks make tops and bottoms at the same time, but they do show plainly when they are in a strong or a weak position, and you will be able to judge the position of a stock in each different group by making up a monthly high and low chart for several years back.

WHEN STOCKS MAKE NEW HIGHS OR LOWS

When a stock advances or declines into new territory or to prices which it has not reached for months or years, it shows that the force or driving power is working in that direction. It is the same principle as any other force which has been restrained and breaks out. Water may be held back by a dam, but if it breaks through the dam, you would know that it would continue downward until it reached another dam, or some obstruction or resistance which would stop it. Therefore, it is very important to watch old levels of stocks. The longer the time that elapses between the breaking into new territory, the greater the move you can expect, because the accumulative energy over a long period naturally will produce a larger movement than if it only accumulated during a short period of time.

1921 HIGH PRICES

1921 was low year of the depression. Although there was a strong rally up to May, 1921, most stocks made low prices in June and August, 1921. Now just look up a list of stocks and see the ones that crossed the high prices made in the early part of 1921. They are the ones that led the 1922 bull market and had the biggest advances, while stocks that failed to make the highs of 1921 are yet selling at low levels (January, 1923). Following are some examples of stocks that made new highs:

Allis Chalmers: 1921 high 39; advanced to 59 in 1922.
American Can: 1921 high 32; advanced to 76 in 1922. When it crossed 68 it was in new territory for its history and indicated much higher prices. Up to this writing in 1923 it has advanced to 84.
American Smelting: 1921 high 44; advanced to 67 in 1922.
American Woolen: 1921 high 82; advanced to 105 in 1922.
Atchison: 1920 and 1921 high 90; crossed this price in 1922 and advanced to 108 in September, 1922.
Baldwin: 1921 high 100; advanced to 142 in 1922.
Canadian Pacific: 1920 and 1921 high 129; crossed it in February, 1922 and advanced to 151 in September, 1922.
Chile Copper: 1921 high 16; 1922 high 29.
Coca Cola: 1919 high 45; 1920 high 40; 1921 high 43; crossed all of these highs in the early part of 1922 and advanced to 82.
Continental Can: 1919 high 103; 1920 high 98; 1921 high 68; crossed all of these highs and advanced to 124 in 1922.
Great Northern Pfd.: 1921 high 79; crossed in 1922 and advanced to 95.
L. & N.: 1921 high 118; crossed in 1922 and advanced to 144.
New York Central: 1921 high 76; crossed in 1922 and advanced to 101.
Pan Pete: 1921 high 79; advanced to 100 in 1922.
Sinclair Oil: 1921 high 28; advanced to 38 in 1922.
Studebaker: 1921 high 93; crossed it in January, 1922 and advanced to 141.
U. S. Cast I. P.: 1921 high 19; advanced to 39 in 1922.
U. S. Steel: 1921 high 88; advanced to 111 in 1922.

Thus you see that all of the stocks which crossed the high of May, 1921, early in 1922 had big advances, because they were in strong position, and the buying power being strong enough to carry them over the previous years highs, showed that they were going higher.

STOCKS THAT DID NOT CROSS 1921 HIGHS IN 1922

You will note that the stocks which did not show strength in the early part of 1922, and were unable to advance any-

where near or cross 1921 highs, have proved to be laggards and are still selling at comparatively low levels (up to this writing). This again proves my rule to *buy the strong ones and sell the weak ones*, and do not let the price at which they are selling prejudice your judgment, as the stock that is selling the highest will often continue to advance while those that are selling low will continue to decline.

The following stocks failed to cross the highs of 1921 during 1922. Note the levels at which they are now selling (January, 1923):

American Agricultural Chemical: 1921 high 50; selling at 32 at the end of 1922.
American International: 1921 high 53; selling around 26 at the end of 1922.
American Linseed: 1921 high 60; selling at 32 at the end of 1922.
American Sumatra Tobacco: 1921 high 88; although this stock is a late mover and did not make bottom until after the other stocks, it was still selling around 28 at the end of 1922, which is near low levels.
Atlantic Gulf: May, 1921 high 44; selling at 22 at the end of 1922.
Chandler Motors: 1921 high 85; 1922 high 79; selling at 65 at the end of 1922.
International Paper: 1921 high 73; selling around 52 at the end of 1922.
Pierce Arrow Common and Preferred: High of 1921, 41 and 49 respectively; both selling at low levels at the end of 1922.
United Drug: 1921 high 105; did not rally above 84 in 1922.
U. S. Industrial Alcohol: 1921 high 74. It was a late mover and did not make bottom until November, 1921, but only rallied to 72 in 1922 and failed to cross 1921 top.
Virginia Carolina Chemical: 1921 high 42; selling at 25 at the end of 1922.
Worthington Pump: 1921 high 55; declined to a new low level—27—in November, 1922.

You see that Pierce Arrow, Chandler, and General Motors all failed to make 1921 highs and at the end of 1922 were selling at low levels, while Studebaker, which made a new high in the early part of 1922, was selling at a high level in December, 1922. General Asphalt 1921 high 78; rallied to 73 in 1922 and failing to reach the high of 1921, showed that it was meeting with heavy selling, because it remained a long time around high levels; then declined to lower prices than it made in 1921. This is the thing to watch. When stocks advance near old high levels and remain a long time and fail to go through, distribution is taking place, and as soon as they break out of the distributing zone, they should be sold short. Traders who bought Asphalt, expect-

ing it to follow Pacific Oil, Mexican and Pan Pete, suffered big losses, because the other stocks showed that they were in strong position, while General Asphalt showed that it was in weak position.

The Rubber and Sugar stocks all failed to cross the high prices of 1921, and at the end of 1922 were selling at lower levels. The Rubber stocks have recently (January, 1923) started to advance, and if they cross the high levels of 1921 and 1922, they will then indicate higher prices and may continue to advance while other groups of stocks decline. Then, you should buy Rubbers and not sell them, expecting them to follow stocks which made high levels and were distributed during 1922.

BUYING OR SELLING AFTER A STOCK SHOWS CHANGE IN TREND

After accumulation or distribution takes place, a stock moves into new territory, either high or low, showing that the stock has been absorbed or distributed and that a new move is starting.

Refer to Chart No. 9 on Corn Products. Note that after the stock halted at 108 and remained for several weeks in a narrow range, while it was being absorbed between 106 and 108, fluctuations were very narrow and you would not be able to make much money trading in it. But if you bought it after it crossed 108, which showed that the trend had again turned up, you would have been able to make 20 points' profit in less than 60 days.

Now, the same condition will develop in the opposite direction. Since September, 1922, the stock has been holding for over four months between 124 and 134 and you would only be able to make small profits trading in and out. After it breaks 124 it will show plainly that the trend has turned down, and if you sell short then, you no doubt will be able to make quick profits.

The *big profits* are made *in the runs between accumulation and distribution.* Therefore, you *make more money* by waiting until a stock *plainly declares its trend* than by getting in before it starts. It is just like a race. It often

takes fifteen or twenty minutes to get the horses away from the post, but once "they're off" the race is over in two minutes. It is the getting ready that takes the time, the run is soon made, once the firing line is crossed. What difference does it make whether you buy a stock 10, 20 or 30 points above the bottom so long as you make profits?

The same with selling short. It makes no difference how much the price is down from the top. When it breaks *out* of the *distributing zone,* it is a *safe short sale* and you will make *quick profits. Get the idea of prices out of your head. Forget about the bottoms and tops; trade to make profits, not to try and catch the bottom or top eighth.* The *insiders do not do it, and you can not hope to do better than the man who makes the market.*

CHAPTER XXIII

TOPS AND BOTTOMS ON RAILROAD STOCKS

In another chapter I have told you about stocks and groups of stocks which are leaders, and you should always follow the leaders, either up or down. From 1896 to 1909, the railroad stocks were the leaders, and banks discriminated against industrial stocks in loans and accepted the rails as gilt-edge securities.

Note on Chart No. 11 the low price of the Dow-Jones 20 Rails was 42 in August, 1896. After a long advance, they made the first important top in April, 1899, when prices reached 87, although they were within 1 to 2 points of this same level in February and March. A big reaction occurred in May, which carried prices down to 78. A rally followed in September, bringing prices up to 86, within 1 point of the April top. They met with stubborn resistance at this level, and declined to 73 in December, 1899, then rallied to 82 in April, 1900, and again in June declined to 73, making a double bottom or reaching the same price as made in December.

After this double bottom, a big advance started, which did not culminate until May, 1901, when prices reached 118. On May 9, 1901, the Northern Pacific corner took place, which caused a panicky decline, average prices declining to 103. This was the first sudden big break in the bull market and showed that it was over for the present, and that you should then watch for a rally to sell on. A rally followed in the latter part of May and in June, carrying prices near the top of May. Then a decline to 105, where prices held for four months, just above the level made in the May panic. Here accumulation took place again, while stocks were moving over a narrow range.

Then followed a long slow, advance to September, 1902,

Chart No. 11.—Dow-Jones' Averages, 20 Railroad Stocks, Monthly High and Low. 1896–1922.

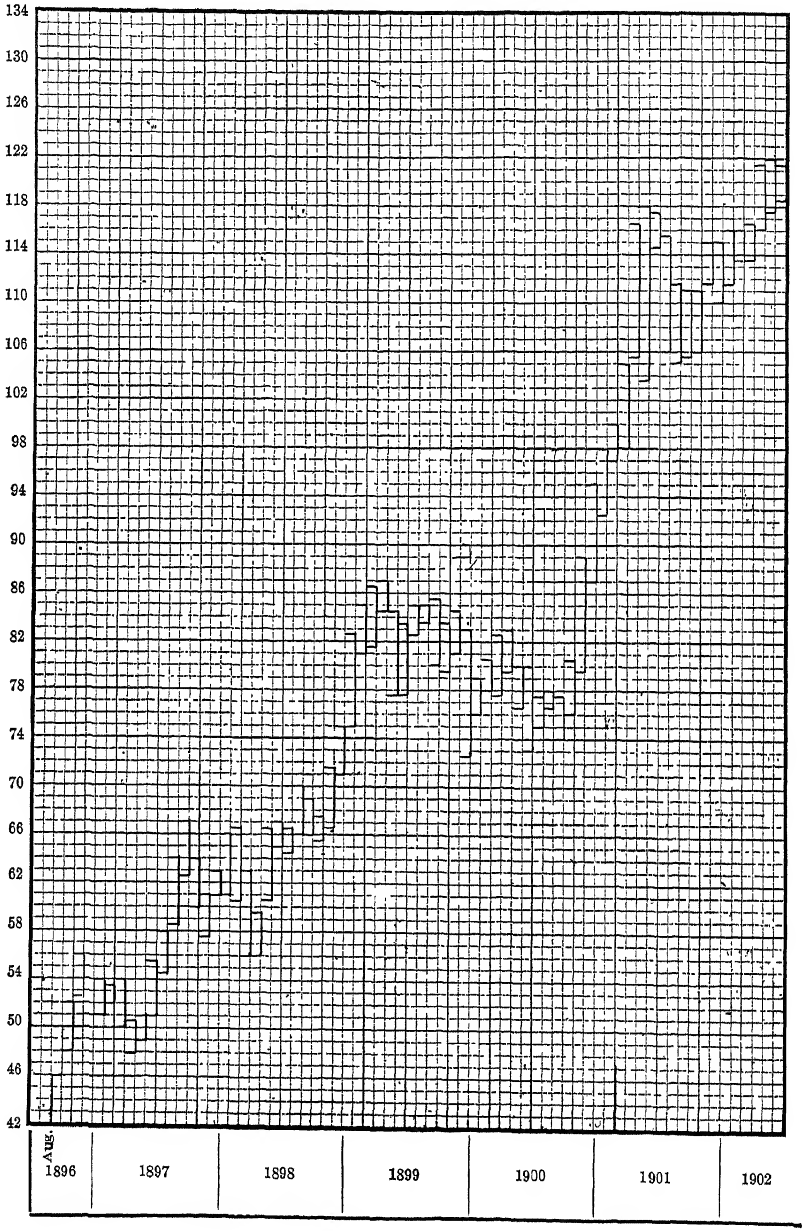


CHART NO. 11—Dow-Jones' Averages. 20 Railroad Stocks. Monthly Hfgh and Low. 1896–1922.—*Continued*

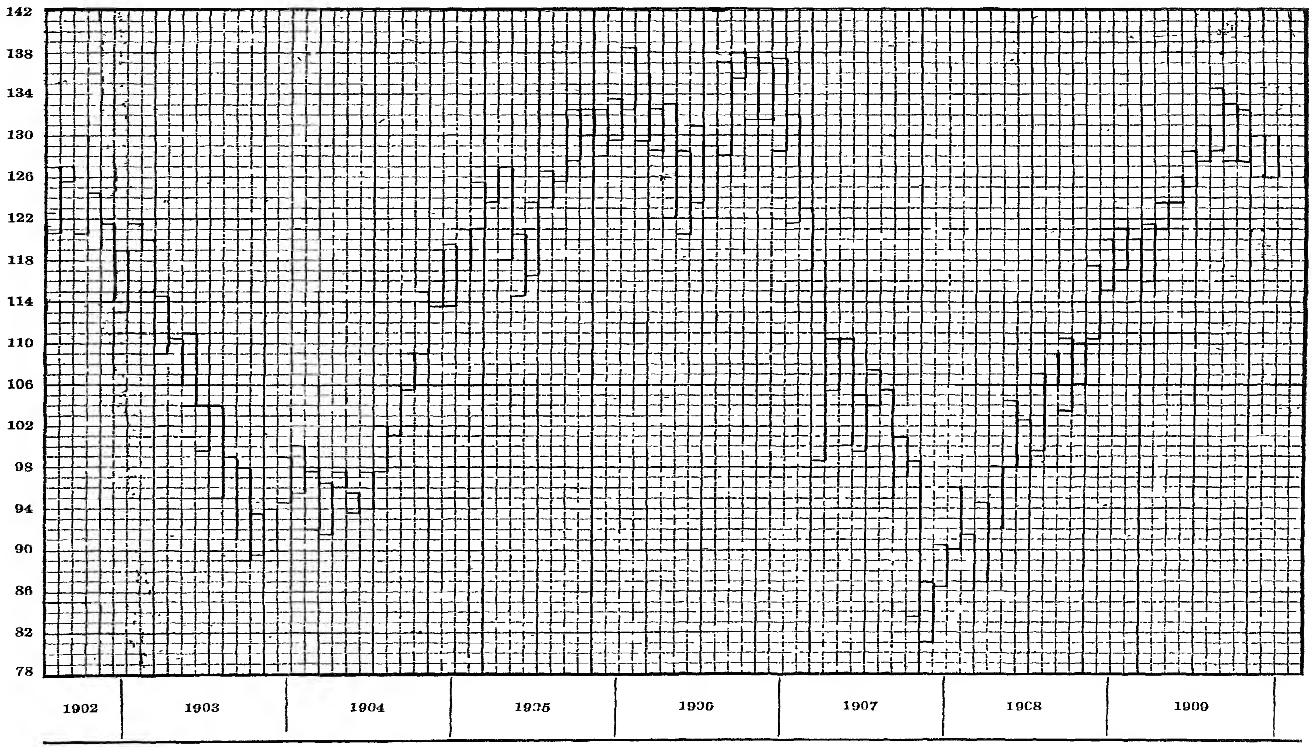


CHART No. 11.—Dow-Jones' Averages. 20 Railroad Stocks. Monthly High and Low. 1896–1922—*Continued.*

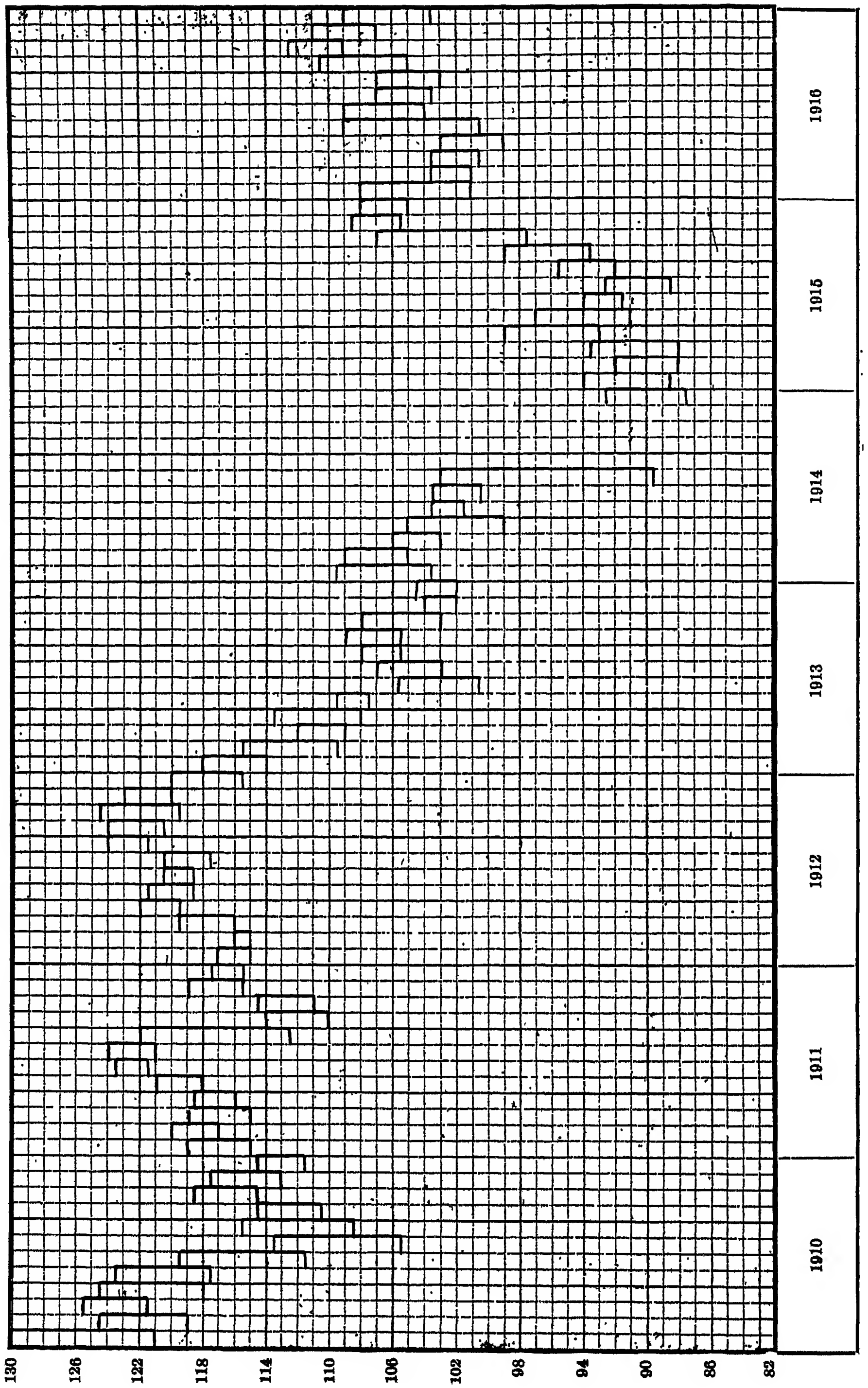
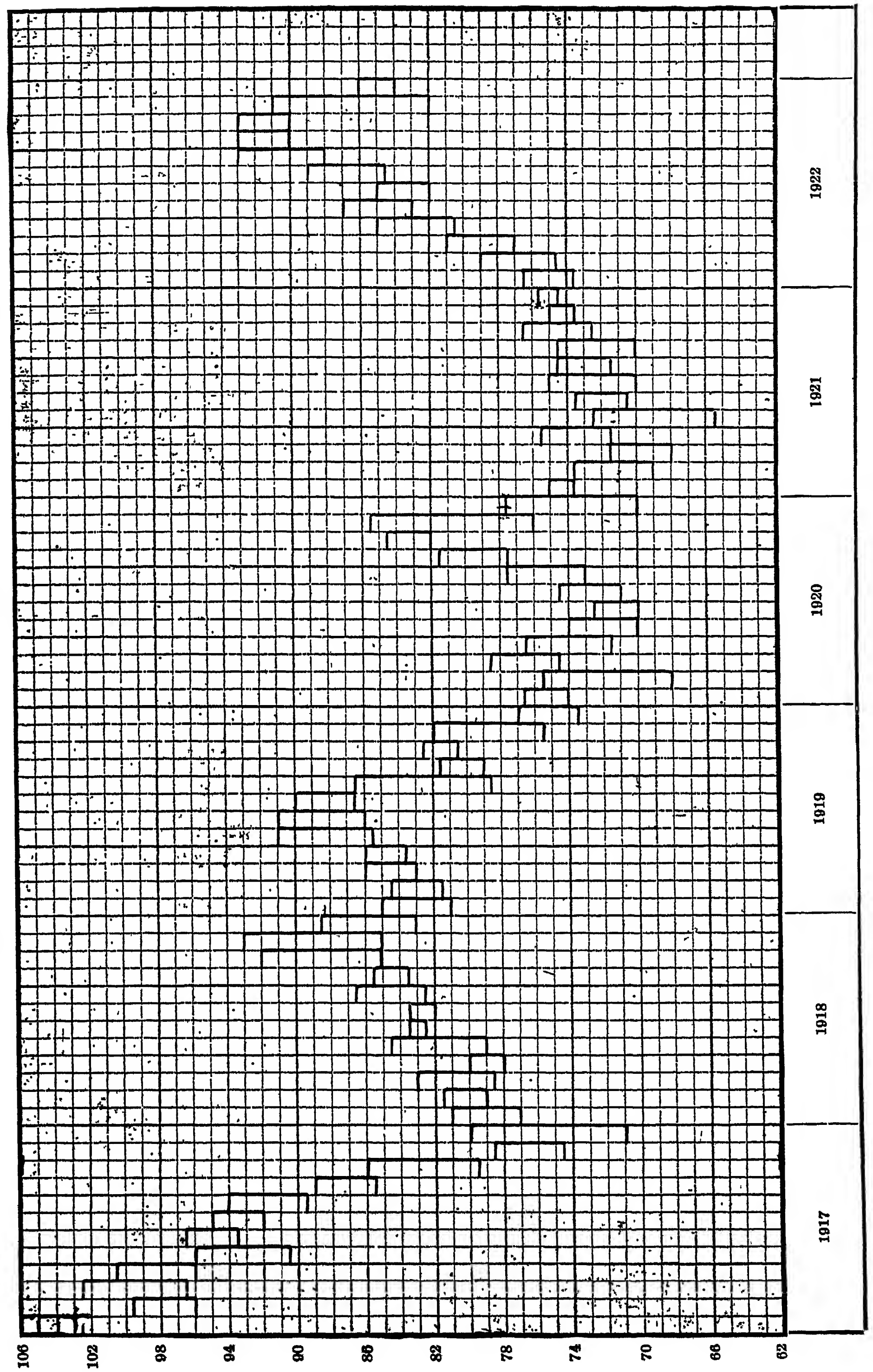


CHART No. 11.—Dow-Jones' Averages. 20 Railroad Stocks. Monthly High and Low. 1896–1922—*Continued.*



when prices reached 129, where they made a sharp top which was followed by a rapid decline to 89 in September, 1903. Note that accumulation occurred from September, 1903 to June, 1904 at which time the bull market was resumed. Stocks rallied to 127 in April, 1905, this price being within 2 points of the high level of September, 1902. A rapid decline carried prices down to 115 in June. Then they advanced to 138 in January, 1906, which was the highest in history and Averages were up 96 points in ten years. Prices started to decline and following the San Francisco earthquake, declined to 120 in May, 1906. Then they advanced to 138, in September, making the same top as in January.

They remained around this same level with fluctuations narrow, until January, 1907 when they broke out of the distributing zone, and after such a long period of advancing markets, with distribution which had lasted for over a year, it was but natural that a drastic decline should follow. A silent panic occurred on March 14, 1907, carrying prices down to 98. This was one of the most rapid declines that has ever occurred on the Stock Exchange. After this, a sharp rally followed; then another decline, bringing prices down to around the low levels of March 14, and in some cases, stocks selling lower. After this, the market rallied and held up until August, but was very dull on the rallies, which showed that liquidation had not been completed. Liquidation started again in September, 1907. and finally wound up with a panicky decline in November, when the Averages reached 82, which was 56 points down from the high of the early part of the year.

Accumulation took place until March, 1908, when the bull market started again, which culminated in October, 1909 with prices at 134, within 4 points of the highest in history. Here they met with resistance, and distribution took place over a narrow range, lasting about six months. The decline started in 1910, and wound up with a sharp break in July, which carried the Averages to 106. This was a sharp bottom, and prices rebounded quickly. They continued upward until July 1911 when the Averages reached 124. Then fluctuations became narrow at the top, and the market was

very inactive for several months. A sharp decline occurred in August and September, carrying prices down to 110. Then followed a slow advance to August, 1912, when prices reached 124, the same top as 1911. Here they made a flat top from August to October, 1912. Then declined to 100 in June, 1913. The market was narrow and inactive, and slowly worked up to 110, making a slightly lower level than April, 1913. There was a small rally and a narrow market in May and June, 1914, and in the early part of July the big decline started, which wound up with a big break after the war broke out and caused the Stock Exchange to close on July 30th.

The Exchange opened again on December 15, 1914, and the Averages declined to 87 in December. They remained in a narrow range around the same level until March, 1915. Here an advance started, and prices reached 108 in November, 1915, finally working up to 112 in October, 1916. Note that this was the year of distribution in the rails, and that they only got three points higher in 1916 than the top of 1915, while industrials at the same time were having a big advance because war conditions were favoring industrials and working against the rails.

1917 was a year of big declines and great liquidation in the rails. Prices made the lowest for many years, declining to 71 in December, when the Government was forced to take over the railroads, which brought about a sharp rally in stocks. The averages advanced to 93 in November, 1918. Then came the end of the war, and they declined to 81 in January, 1919. Then followed the greatest industrial boom in the history of Wall Street, but rails failed to have any big advances, and only reached 92 in July and August, which was 1 point lower than the high prices of 1918; while industrial stocks advanced over 20 points higher than the 1918 prices, because industrials were now leaders and the rails were the laggards. In February, 1920, the rails declined to a new low level, making 68. After this, the rails and industrials began to work closer together. The rails rallied to 85 in November, 1920; then followed a long decline which carried them down to 66 in June, 1921, which was the lowest price at which the Averages had sold since 1897.

From this level, they advanced to 93 in August, 1922, which was the same top made in 1918. They remained at this same level during August, September, and October, 1922, holding in a narrow range while distribution was taking place. In November, they broke out of the distributing zone and declined to 82 on November 27. Since that time they have rallied to around 87 (January, 1923) where they are very dead and inactive, and meet selling on every rally. Every indication now seems to point to liquidation but the proper thing to do is to wait and see whether they become active and advance above the level of 86 or start activity on the down side and break under the level of 82 made in November. It is my opinion that before rails cross the 1922 highs again, they will sell at very much lower prices.

CHAPTER XXIV

BOTTOMS AND TOPS ON INDUSTRIAL STOCKS

Chart No. 12 shows the tops and bottoms on the Dow-Jones 20 Industrials from 1896 to December, 1922.

Note that the low in August, 1896 was 29. They rallied to 77 in April, 1899, where distribution started; declined to 68 in May; then rallied to 77 in September, 1899, making a double top; declined to 71 in October; rallied to 76 in November, failing to make the old top by one point. This was really a triple top, and failing to cross it showed big distribution and indicated a long decline to follow.

Prices declined to 58 in December; then rallied to 68, which was the bottom of the distributing zone. In 1903 during November and December, prices declined to 42½, then rallied to 50 in January, 1904, and held in a 4-point range until June. They showed that accumulation was taking place, and that stocks were getting ready to advance, although at this time railroad stocks were the leaders. In July, 1904 the advance started, and continued, subject to minor interruptions, until January, 1906, where final top was made, prices reaching 103. This was a sharp top, and a decline followed, bringing prices down to 86 in July, 1906. They rallied to 96 in August and remained around the same level in a 4-point range, for about six months, until January, 1907. This showed big distribution in a narrow range and the long length of time indicated a big decline to follow.

1907 was a bear year in industrials as well as rails, and they declined to 53 in November, making a sharp bottom, as you will see from the chart. After this followed the long advance to the top in August, 1909. The industrials were now becoming more prominent, and were assuming the leadership over rails. Prices reached 100 in August, making a flat top, holding the same level for six months while dis-

CHART No. 12.—Dow-Jones' Averages, 20 Industrial Stocks. Monthly High and Low. 1897–1922

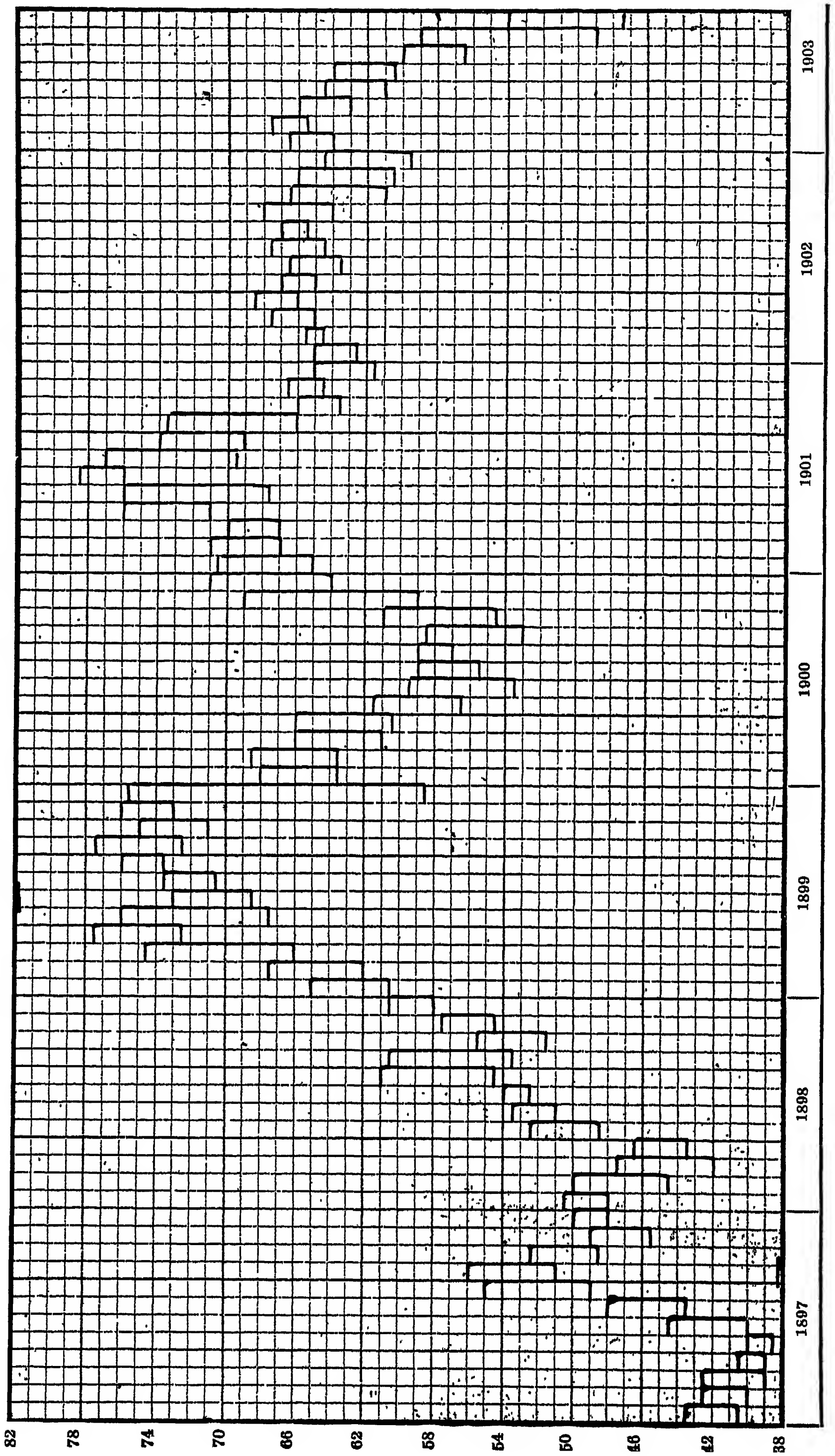


CHART No. 12.—Dow-Jones' Averages, 20 Industrial Stocks. Monthly High and Low. 1897–1922—*Continued.*

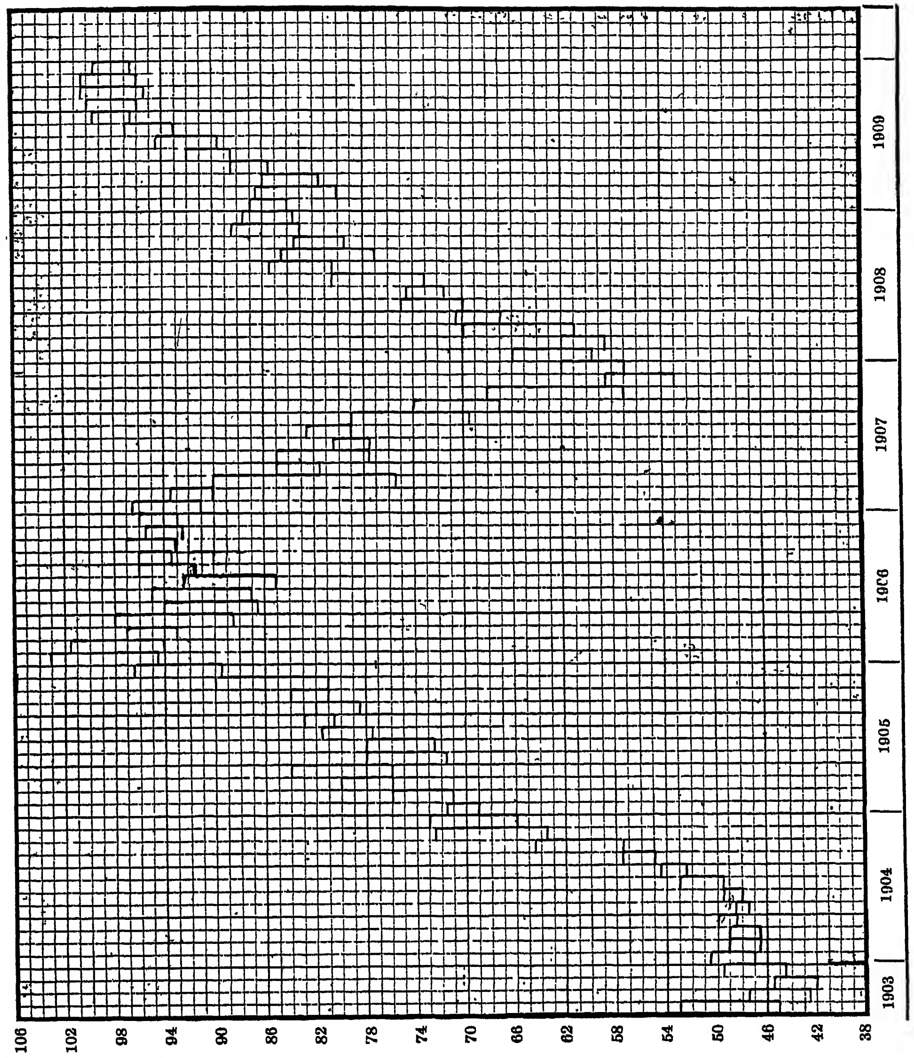


CHART NO. 12.—Dow–Jones' Averages, 20 Industrial Stocks. Monthly High and Low. 1897–1922—*Continued.*

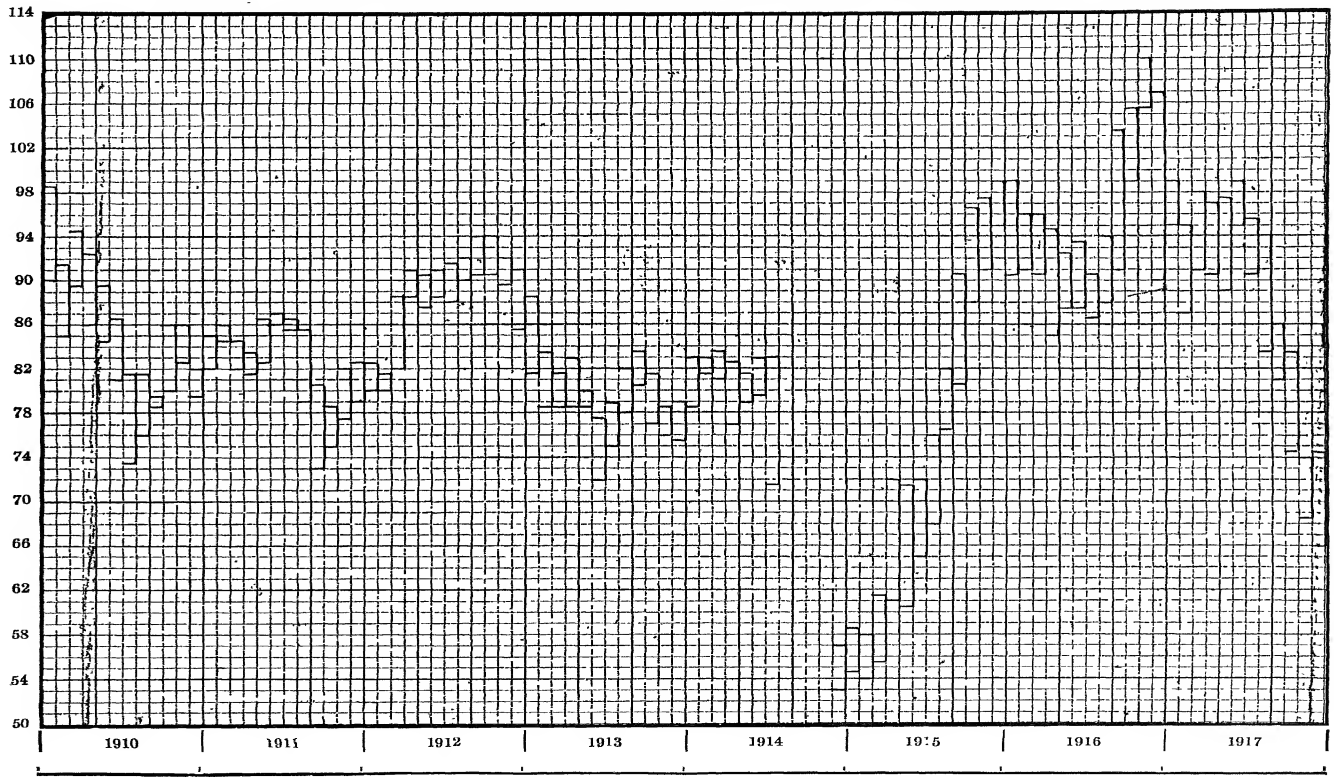
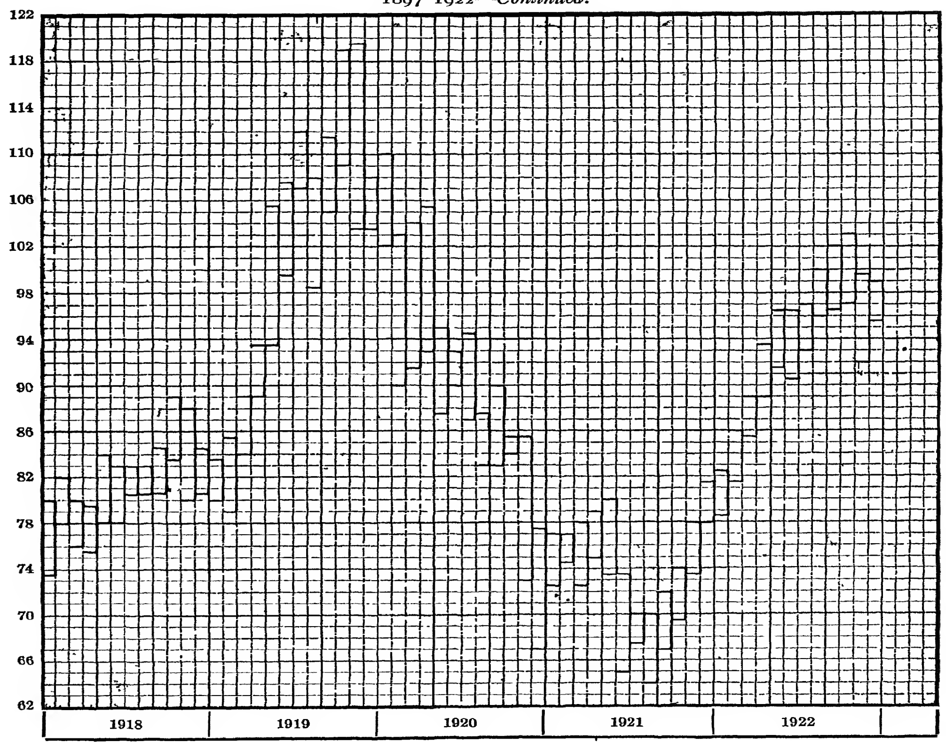


CHART NO. 12.—Dow–Jones' Averages, 20 Industrial Stocks. Monthly High and Low. 1897–1922—*Continued.*



tribution was taking place. A decline started in January, 1910. Prices reached the low of 74 in July, 1910.

Then followed a slow rally, making top in July, 1911 and at the top the market remained for two months, very narrow and inactive, while distribution was taking place. You have often heard it said "Never sell a dead market," but you must consider whether prices are near the top or bottom when they become dead. If they get very narrow and dead near the top, it is a sign of decreased buying power, and only a question of time when something will occur to cause buyers to become sellers and force stocks down. The break started in August, and declined to 73 in September, 1911, making a double bottom.

Then followed a slow advance to October, 1912, the first top being made in June and the market holding about six months for distribution. Then followed a decline to June, 1913, when Averages reached 73, making a triple bottom, or practically the same level as 1910 and 1911.

In 1914 the top was made from February until July, in a very narrow market. Stocks would rally and become dead and inactive, which showed that the buying power was not there, and that liquidation was taking place. In the early part of July the decline started. Activity was on the down side, and prices broke under the distributing level. The Exchange closed July 30, and when it opened in December, prices declined to 53, making the same level as in 1907, or a double bottom, although it was seven years apart.

Prices fluctuated in a narrow range until the spring of 1915, when the industrial stocks led the advance, with "war babies" coming to the front every day. The Averages reached 99 in December, 1915, which was the first top in the great war boom. They declined to April, 1916, making 85. Here accumulation took place, and they rallied rapidly to November, 1916, when the Averages reached a new high for their history—110. From this top there was a sharp decline, and the real distribution took place under 100, or after stocks were down 10 points from high levels. I have explained something in regard to this in a previous chapter, about where sharp tops are made and distribution takes place after the first big decline.

In 1917 prices declined and reached the first low, 87, in February. They rallied from this level but were very inactive on the rallies. Stocks looked very cheap when compared to the high levels of 1916 and the public bought them. The decline continued during 1917 and bottom was reached in December, prices making 66. This was a sharp bottom. Then accumulation occurred after prices were up 10 points. The chart will show you that the accumulation took place between 76 and 84, so you see that the same rule applies—*distribution takes place below the level of sharp tops and accumulation several points above the level of sharp bottoms.*

1918 was a year of narrow fluctuations. Prices had advanced to 88 in November, 1918, when peace was declared. Then followed a quick decline to 80, where you will see that prices held for four months in a 4-point range, making the same low level every month. This was the second stage of accumulation and showed that it was getting ready for a big advance, which started in February, 1919. You will find my Annual Forecast for 1919 in the back of this book. You can see how accurately I foretold the big advance in Oil Stocks and Industrials for that year. 1919 recorded one of the greatest advances in the history of the Stock Exchange, the industrial stocks rising nearly 40 points on Averages in nine months' time. Of course, many individual stocks had advanced from 50 to 150 points. The volume of sales was the greatest of any year on the Stock Exchange, the average daily sales running close to two million shares per day during August, September and October. In the early part of November, the advance culminated with a sharp top. There had been only two reactions during the year, one occurring in June and the other in August. Distribution took place on the way up, because the public was buying stocks regardless of price, name, previous condition or future possibilities. They were buying on hope, believing that the *Bull market* would never *end,* but it did, *suddenly and unexpectedly, as all highly manipulated market movements do.*

A panicky decline followed in November, 1919, and prices declined to around 103. They rallied and held in a narrow range, making 109 in January, 1920. A second period of distribution took place in January, which was fol-

lowed by a severe decline in February, carrying prices down to 90. In April the Supreme Court handed down the decision declaring stock dividends non-taxable. This caused another wild wave of speculation, with many companies declaring stock dividends and the public buying everything on hope. The Averages reached 105 and from this level the long decline started, which continued until December 21, 1920, winding up with a three million share day, and the Averages at 67, the same level as they made in 1917. Read my Annual Forecast in the back of the book, and see how accurately I foretold the 1920 market and forecasted the panicky decline to the exact date.

After this decline, a sharp rally followed to May, 1921, when prices reached 81. The market became slow and dead at the top, showing that the supply of stocks was greater than the demand. Liquidation broke out again around the 10th of May, and prices continued to decline until liquidation was completed in August and averages had reached 64. This was the third zone below normal, or the zone of extreme depression, and the place for accumulation and buying. It was exactly opposite to the feverish zone of distribution of October, 1919.

After the August, 1921, break, a slow rally started. See my 1921 Stock Forecast in the back of this book. It called the exact top for May and the bottom in August, 1921.

Reactions were very small and stocks continued upward to October, 1922, when prices reached 103.42, where distribution started. The break which occurred in November, 1922, carried prices down to 92, which was 4 points under the bottom of the distributing zone. My 1922 Stock Forecast, issued in December, 1921, called final high for October to the exact date and predicted the decline for November, 1922.

You can see from the top that by January, 1923, distribution has been going on for about six months. They rallied to just above 99 in January, 1923, and it is the writer's opinion that the high prices made in October, 1922, will not be exceeded by three points until Averages decline to 75 or lower. Distribution will take place on every rally in the Spring of 1923, and the Fall of 1923 will witness panicky conditions in the stock market and drastic declines.

CHAPTER XXV

ACCUMULATION OF LOW-PRICED STOCKS

If you go back over past history, you will find that most of the stocks that have sold at very high levels, i.e., anywhere from $100 to $300 per share, at some time in the early stage of their career have sold at very low levels, and that the accumulation of many stocks which have become leaders has taken place below $25 per share. For example: See Chart No. 9 on Corn Products.

CORN PRODUCTS

In the great bull market of 1906, Corn Products sold at 28, which was the high price of that year. In the bear market of 1907 it declined to 8. In the bull market of 1909 it advanced to 26, failing by two points to reach the high price made in 1906. In 1911 it declined to 10 and in 1912 it advanced to 22, again failing to reach the high level of 1909. In 1914 it declined to 7, which was the lowest in its history. In 1915 it recovered rapidly and advanced to 21. In 1916 it advanced to 29, which was the highest price of its history up to that time, and one point higher than the level of 1906. 1917 was a bear year and many stocks sold lower than they had for many years, but Corn Products only reacted to 18 and before the end of 1917 had sold above 29, the highest of 1916. The stock being in new territory, and higher than it had sold for ten years, showed that accumulation had been completed and that a big advance was likely. Therefore the logical course to pursue was to follow the advance as long as the trend showed up.

It advanced to 37 late in 1917, thus making a new high in a bear year and showing that there was buying power enough to carry this stock up against the trend of the general

market. Now, when a stock has never sold higher than a certain figure for a number of years, a lot of people think that when it reaches that level or gets any higher, that it is due for a reaction. This is a great mistake. 1918 was a year of irregularities and reactionary price movements. It could not be termed a bull year. Yet Corn Products advanced to 50, and when other stocks suffered a big decline in January and February, 1919 this stock only reacted to 46, or four points from the high.

Then the 1919 bull campaign started and Corn Products began to advance. It continued to make higher tops and higher bottoms, showing that demand was greater than supply, advancing to 99 in 1919, and in the spring of 1920 to 105. When it reached this level, if you look at a weekly and monthly chart, you will see that distribution started. In fact, it made a sharp top, reacted quickly to 88, then rallied to 97, where it showed weakness. After that the trend was down, and it declined to 61 in December, 1920; advanced to 76 in March, 1921; declined to 59 in June, 1921.

The fact that it only declined two points below the low level made in 1920 and showed accumulation around this level, it could naturally be considered in strong bull position and should be bought with a stop under this low level. It advanced to 68, reacted to 64, held in a narrow range between 64 and 68 while accumulation was taking place during July and August, 1921. Then the advance started. It continued upward with very little reactions until it reached 105, the high price of 1920. Of course, around this level it met with heavy selling because a lot of people thought if it reached the highest price of its history, it was high enough.

It advanced to 108 in March, 1922, which was three points above the highest price made in 1920, and showed that somebody was still buying the stock, although it was meeting with heavy selling. It declined to 99 in May, 1922 and around this level became very inactive and the volume of sales was very small, which showed that selling pressure was decreasing. It started to advance slowly, and gradually began to make higher resistance levels, until in August, 1922 it advanced above the high price of 108 made in March, 1922. After five or six months' time, and only reacting nine

points, then making a new high level, showed plainly that the trend was up and that the stock should be bought and followed up as long as it showed an upward trend.

It advanced to 134 during the week of October 21, 1922. After that it reacted to around 124; then rallied five or six times up to around 132-133, but failed to make the high price of October 21st. It remained in this trading range between 134 and 124, from October, 1922 until the date of this writing, January 12, 1923. This shows that it has reached the level where it is meeting with great resistance and heavy selling, and the proper thing to do is to be out of long stock, and short. If it breaks under the level of 124, it will show plainly that distribution has been completed, and you should then follow the downward trend until it reaches a level where it meets with resistance and shows accumulation.

CHAPTER XXVI

HOW TO WATCH INVESTMENTS

A lot of people handle their investments the same as they do their health. They never consult a doctor until they are seriously ill; then it may be too late, or the expense will be ten times greater than if they had consulted a doctor and protected themselves against future ailments. No matter if you hold gilt-edge bonds or preferred stocks as an investment, they should be looked over by an expert at least once a year to see if there are any symptoms of weakness developing in the list. Investments should be sold out on the first sign of a change in conditions, and you should not wait until everybody is selling and you are forced to sell on a liquidating market. Very few people are willing to pay even $25 a year to have their investments looked over, and receive real expert scientific advice, but after they have losses of thousands of dollars, and it is too late for expert advice to help them much, then they are willing to pay hundreds of dollars for helpful information. It is the old, old story of locking the stable door after the horse is stolen.

FRENCH BONDS

It is impossible for the best human judgment to pick a number of stocks or bonds that will all prove sound. It is also impossible to run any business without expense, and the expense in the investment business is occasionally taking a quick loss. When you find that one of your investments shows weakness, sell on the first indication—do not hesitate. Many people bought French 7½'s and 8's above 100 because they pay 7 or 8 per cent. The very fact that they pay an abnormal yield on investments should have shown the man who thinks, that there was something wrong with the credit

of the French Government; otherwise they would not have to pay such high interest if their security was gilt-edge. When these bonds declined to 99 it was a danger signal and they should have been sold out immediately, but many investors did not sell for the very reason that they yield a high return. Now the 8's have declined to 93 and the 7½'s around 89, and there is no prospect in sight for them going back to par any time soon, so the man who bought because he received a higher return for his money, now has a shrinkage in his capital of 7 to 10 per cent, which eats up a lot of interest.

CHANGING TO SPECULATIVE ISSUES

It is always better to be safe than sorry. Many large estates have been wiped out because the younger generation refused to sell the investments that their fathers made and switch into something better just as soon as the investments began to show shrinkage. Many men leave fortunes to their wives in gilt-edge investments which are paying 4½ to 5½ per cent. They have bought them for safety, for the protection of principal and not for large yield. A woman wants a large income so that she can live on it. She will sell out gilt-edge investments and buy speculative issues because the return is large and often in a few years she finds herself not alone without an income, but with her capital half wiped out. The gambling instinct is so strong in human beings that they never look for safety until it is too late. They listen to the story of bond salesmen—get-rich-quick schemers who play on their hopes and get them to change from safe investments into gambling speculative investments, and in 90 per cent of the cases, the result is losses.

DISCRIMINATION AND INVESTIGATION

At the present time, when we are in a reconstruction period after the greatest war the world has ever seen, discrimination is more necessary than ever, and every investor needs the service of an expert. Many people have the idea that if they buy bonds which are sold by J. P. Morgan & Co.,

Kuhn Loeb & Company or the National City Bank, they are buying something gilt-edge and guaranteed. These banks are in the business of selling bonds for a commission. They do not guarantee them, but they do make money on every bond they sell. Yet, the buyer may never see a profit. The very best houses must sometimes handle issues which are unsound, and you must not buy bonds without investigating their merits just because they are sold by a house with a long established reputation. The French Government issues were all floated here by our highest class bankers, but that has not prevented these bonds from shrinking in value, and the bankers who sold you the bonds made no guarantee that they would support the market and prevent a decline.

LIBERTY BONDS

The best securities are bound to shrink in value at times. It is a question of Supply and Demand. The U. S. Government is the soundest government in the world today, and it was at the end of the war in 1918. Then why did Liberty Bonds decline to around 85? Because there were billions of them in the hands of the public, and when the depression of 1920 and 1921 set in, the people were loaded with bonds and short of cash. Therefore, when they needed cash, the only way to get it was to sell Liberty Bonds. The result was that everybody were sellers and there were very few buyers, and bonds declined. When they had been absorbed at low levels by large investors, they gradually worked back to 100 again.

ATCHISON

A lot of people have the idea that there is such a thing as investments being so good that they cannot decline. They forget the fact that Supply and Demand govern prices and that there must be a buyer for every seller. If buyers are scarce and sellers are numerous, stocks or bonds go down. Suppose you were carrying Atchison Railway in 1915. It advanced to 111, reacted to around 105, rallied to around 108, where you can see from a chart it held during 1916 and

part of 1917 without getting above this level. Here was an indication which showed plainly that the supply of the stock, after it made 111, was greater than the demand, and as the yield on the money invested was small compared to the high interest rate, the investor should have sold out Atchison and waited for a favorable opportunity to repurchase. On the break in the latter part of 1917 it declined to 75. During 1920 it held around 76, making the same level four or five times, which showed that it was receiving support and had reached a level where conditions were just opposite to what they were when the price was around 108. The demand was greater than the supply, and the stock stopped going down. After all the stock was absorbed at a low level, it started to advance, and again reached 108 in September, 1922, where it held for a short time without crossing the old level of 1916. This was the place to again sell out investments and wait. Atchison then declined to 98 in November, 1922. When it reaches a level where the demand is greater than the supply, it will again be time to buy. This may be several years off yet.

VALUE OF EXPERT ADVICE

You should keep a chart of all of your investments. It requires but little time to keep up a monthly high and low chart and it will show you when you should get out. If you are not sure of your own judgment, secure the services of a reliable expert whom you can depend upon. A lot of people feel that they cannot afford to pay out $100 to $200 each year for expert advice to protect their investments. If they would only look at it from a sensible standpoint, they would realize that they cannot afford to be without expert advice. Consider the price of my service—$100.00 per year for my Annual Forecast on Stocks, together with a supplement issued once a month or more often. You have the privilege of asking my opinion at any time on any investment you hold and securing advice on how to switch your investments so that they will prove profitable and safe. The cost per year is one point on one hundred shares of stock. Many people carry thousands of shares and let their investments shrink

thousands of dollars, when by paying $100.00 per year for my service, they would be able to save hundreds of times the amount they pay me.

Expert service works both ways. It not only protects you against loss, but helps you secure your profits at the right time. If you saw a plain indication that your health was breaking down, you would not wait until your case was hopeless, but would secure expert medical advice at once and be willing to pay a good price for it. Your investments, in one way, are more vital than your health, because if your investments shrink to a level where they cause you to worry, you are sure to undermine your health. I have seen hundreds of cases in Wall Street where men lost their money, then lost their health. Therefore, expert scientific advice performs a double service—provides protection for your health and your capital.

In Wall Street opportunities come more often than in any other business, but you must have knowledge in order to recognize them.

OPPORTUNITY

They do me wrong who say I come no more,
  When once I knock and fail to find you in;
For every day I stand outside your door
  And bid you wake and rise to fight and win.

Wail not for precious chances passed away,
  Weep not for golden ages on the wane!
Each night I burn the records of the day;
  At sunrise every soul is born again.

Laugh like a boy at splendors that have fled,
  To vanished joys be blind and deaf and dumb;
My judgments seal the dead past with its dead,
  But never bind a moment yet to come.

Though deep in mire wring not your hands and weep;
  I lend my arm to all who say, "I can!"
No shame-faced outcast ever sank so deep
  But yet might rise and be again a man!

Dost thou behold thy lost youth all aghast?
  Dost reel from righteous retribution's blow?
Then turn from blotted archives of the past
  And find the future's pages white as snow.

Art thou a mourner? Rise thee from thy spell,
  Art thou a sinner? Sins may be forgiven,
Each morning gives thee wings to flee from hell,
  Each night a star to guide thy feet to heaven.

—WALTER MALONE.

BOOK IV

COMMODITIES

"There is a principle which is a bar against all information, which is proof against all argument, and which can not fail to keep a man in everlasting ignorance! That principle is condemnation before investigation."—SPENCER.

CHAPTER XXVII

HOW TO TRADE IN COTTON

The cotton market offers good opportunities every year for making profits both as an investment and as a speculative proposition. Trading in future options is just as legitimate as buying and selling stocks. It is not necessary to buy the spot cotton outright, carry it in the warehouses, pay insurance and storage, for if spot cotton is going up or down, future options will fluctuate more than the cash article, and there is no expense in carrying futures outside of the margin requirements.

The course of cotton prices is based on supply and demand, and it is much easier to form a correct judgment on the cotton market than it is on the stock market, on account of there being so many stocks and different groups of stocks which cause a mixed trend, some stocks declining while others advance. With cotton it is different. If one option goes up, they all go up. You might be right on a certain group of stocks and yet pick the laggard to buy, and not make any money; but with cotton you could not miss it; if you were right on the trend you would make money. A man who trades in cotton with the proper capital and uses stop loss orders to protect his capital and also to protect his profits will be able to make more money than he will trading in stocks, especially when the cotton market is active.

The great trouble with the people in the Southern states, where cotton is grown, is that they are always bulls. They

never see but one side of the market and are always holding on and hoping for it to go higher, no matter how high the price advances. For this reason, 90 per cent of them lose money simply because they are unwilling to see both sides of the market. They ignore the bear side and refuse to sell short in a bear market. I have known many traders to buy cotton when it was high and lose anywhere from $1,000 to $2,000 on 100 bales by simply sitting and watching it decline day after day, and holding it for no other reason than that they hoped it would go up. Remember my rule—*When you have nothing else to hold on for but hope, get out quick.* Never trade without a reason. The time to hold on is when the market is going in your favor and not against you.

When cotton is at extreme high levels and starts downward, it goes down fast and continues down for a long time, as past records will show. In the spring of 1920, cotton was selling around 38 to 37 cents per pound, and in December same year, it sold below 15 cents per pound. Now, what chance did a man have who was long of the market and held on and hoped for a rally? The decline continued, subject to rallies, until it got below the 11-cent level in June, 1921. Of course, the same rule applies to a man who sells short against the trend and holds on and hopes. Cotton was selling around 13 cents per pound in the middle of August, 1921. The advance started and in thirty days it advanced to around 21½ cents per pound. Therefore, the only thing to do in trading is to limit losses and go with the trend. It is easy enough to make up a loss of 20 or 30 points, but it is hard to make back losses of 200 to 400 points. Let your rule be: *Cut short your losses and let your profits run.* But remember, profits must be followed up with a stop loss order, because it is just as foolish, after you have large profits, to let them get away from you, as it is to lose part of your capital by not protecting it.

REPORTS, NEWS, RUMORS AND VIEWS

Learn to discount reports which come from the farmers. They are honest, but they have cotton to sell and are always

hoping for higher prices. They go to the extreme either way. If crops are bad, they exaggerate the damage. If crops are good, they are likely to become too hopeful and exaggerate the good condition. The man who produces the cotton to sell and the spinner who buys it are diametrically opposed to one another. Both are working for their own interests and you can not blame them, but you must discount their reports and opinions.

The tape tells you the consensus of opinion and reveals the predominance of the opposing forces and shows the trend according to supply and demand. Ignore the news, reports, opinions and views of everyone if it disagrees with what the chart and tape shows, for supply and demand must govern in the end, and if the selling power is greater than the buying, prices will decline, regardless of bad crop news or anything else. On the other hand, if the demand, or buying power, exceeds the selling, prices will advance regardless of good crop news. Of course, the general trend of the market does not continue for long contrary to natural conditions, but supply and demand govern the prices and the market discounts future events. Therefore, before you act too strongly on any good or bad news, be sure that your chart, which is but the reading of the tape and the correct interpretation of it, confirms the news and shows that it is yet to be discounted.

Do not try to trade too often. Jumping in and out of the market confuses you; the more trades you make the more chances you have for getting wrong, and increasing the percentage against you. You can always make profits if you wait for the opportunities. If you make two or three consecutive trades and they go against you, and you have to take losses, better quit for awhile and look on. Wait until your judgment gets clear, and the market shows a definite trend. You can always form a better judgment when you are out of the market than when you are in it, because you are not influenced by your hopes and fears.

It makes no difference whether you trade on the New Orleans Cotton Exchange, N. Y. Cotton Exchange or in Liverpool, the trend of the market is always the same, once it shows conclusively that a move has started. Liverpool may go contrary to New York for one day, but it seldom

ever goes two. The same with New York or New Orleans. They always run on a very close parallel.

AMOUNT OF CAPITAL REQUIRED

One of the most important things that traders overlook is the amount of capital required to make a success trading in cotton. A lot of people think that when cotton is around the normal level, from 9 cents to 12 cents per pound, that \$200 or \$300 is enough capital to use in trading in 100 bales. This is financial suicide, because if a man loses 20 or 30 points on the first trade, his capital is crippled so that he cannot make a second trade. A man should go into the cotton market the same as he goes into any other business,—to make a success and not a gambling proposition. If you make speculation or investment a business, you probably will be able to accumulate a fortune over a number of years, but if you go into it to gamble and expect to make it all on one deal, you will lose all your money and have nothing left but hope.

When cotton is at an abnormal high level, as it has been since 1915, selling between 15 cents and 40 cents per pound, it requires a larger amount of capital because stop loss orders will be caught more frequently and at the same time profits will be much greater. I consider \$2,000 the amount of capital that should be used for trading in 100 bale lots. Nothing less is safe. This money is not to be used to put up on 100 bales and hold it if it starts going against you. It is for the purpose of paying several small losses and still have capital enough left to continue to trade until you hit it right and begin to make big profits.

HOW STOP LOSS ORDERS SHOULD BE USED

In normal markets, when fluctuations are narrow, you should use a stop loss order not more than 20 points away. In very wild active markets, where fluctuations are wide, you should use a stop loss order about 40 points away, but a risk of \$200 should be the maximum on any one deal. If your capital is \$2,000 and you make five trades and lose half of your capital and then make one trade which shows

a profit of 200 points, you would be even. Most people trade the other way—They take 20 to 40 points' profit and 200 to 300 points' losses. There is no chance of beating the cotton market that way. Of course, before you make a trade, you should try to determine the trend and be as near right as possible, but if you see that you are wrong, there is one sure way to play safe and that is get out at the market or place a stop loss order for your protection which will automatically put you out.

Once you make up your mind and place a stop loss order, do not cancel it, or change it to where you have a greater loss if it is caught. In 99 cases out of 100, you will be wrong when you place yourself in a position to take a greater loss than you first decided on. It may be well enough some times to cancel orders for taking profits if the market is going your way, but never cancel an order to stop a loss. The sooner a loss is stopped the better both for your capital and for your judgment. As long as you stay in the market and a trade goes against you, your judgment gets worse all the time; in fact, you have no judgment. It is simply a big hope that the market will turn and go your way.

HOW TO PYRAMID

In rapid markets successful pyramiding can be carried on. Of course, the condition of the market has to determine how close pyramids can be made safely. As a rule, after you buy 100 bales, you should not buy the second lot until the market has moved 60 points in your favor. Then place a stop loss order on your 200 bales so that if the stop is caught you will not lose as much money as your original risk on the first 100 bales.

We will assume that on the first 100 bales, you place a stop loss order 40 points away, which would be a loss of $200. Now, when you buy or sell the second 100 bales, place a stop loss order 40 points away on 200 bales. If the stop is caught, you will lose 40 points on the last 100 bales, but will make 20 on the first 100 bales, which places you in a better position than if the first trade had gone against you. If the market continues to move in your favor and your stop

loss order is not caught, you can continue to buy or sell on the way up or down, but don't forget that the more the market moves in your favor, the nearer the end of the move is over, and buying must not be increased near the top after a long move, nor selling increased near the bottom after a long decline.

STRADDLES OR HEDGING ON COTTON

Many cotton traders get the idea that they can sell one option and buy another, thereby making a straddle which will work closer together and show them a profit. In nine cases out of ten, it works exactly opposite, and instead of a profit the result is a big loss. If you cannot form a judgment of the trend of the market, then do not try to play both sides at the same time. Something always happens to upset all calculations when traders figure out a dead sure cinch on a straddle. As a trader once said to me, "My broker recommended something safe and sure—a good straddle—and I got on for a joy ride and the straddle tore both my legs off." This is the way most straddles work out.

Another great mistake that traders make is that when they buy one option and it starts to go against them, they refuse to see that they are wrong and accept a loss, but sell another option to hedge. Then they are both long and short of the market, and they have to make two guesses as to where they will get out right. It can not be done. They invariably close the trade that shows a profit and hold the one that shows a loss. In this way, they undo the wrong side of the hedge. A man can not have a clear judgment trying to play two sides of the market at the same time. It is bad enough playing one side. Therefore, keep out of hedges and straddles; try to determine the trend and follow it.

CHAPTER XXVIII

PROPER WAY TO READ THE COTTON TAPE

The cotton market, as I stated before, is governed by Supply and Demand. The only difference in reading the tape on cotton and reading it on stocks is that the cotton tape does not show the number of bales traded in on each sale. This makes it a little difficult at times to determine the trend, but while we do not know the amount of trading that is going on, the fluctuations on the tape show very plainly whether the volume is extra heavy or very small. The market does not stand still on large buying or selling; it moves one way or the other. Therefore the activity tells us whether or not there is big business going on. When fluctuations are very narrow and the market is dull and inactive, it shows that the buying and selling is reduced to a small scale, and no big move is indicated. Therefore, the only thing to do is to watch and wait until you see activity start, and then go with it.

The best way to read the cotton tape is the same as stocks—stay away from it; keep up a chart and read the tape quietly, away from the influence of the broker's office and the gossip which is always prevalent there, that will mix your judgment and invariably cause you to see things in the wrong light.

The cotton tape fools you just as often as the stock tape, because local weather condition, good or bad, will cause quick declines or advances which in no way change the major trend. Yet, while looking at the tape, it will appear extremely strong or weak and at the time you are convinced and act upon it. Afterwards you find that you have bought at the top or sold at the bottom, and then when the main trend is resumed, you are wrong, and of course, the tape whispers hope and you hold on. If you are away from it, you will make your trades according to your rule, place your stop loss orders, and will

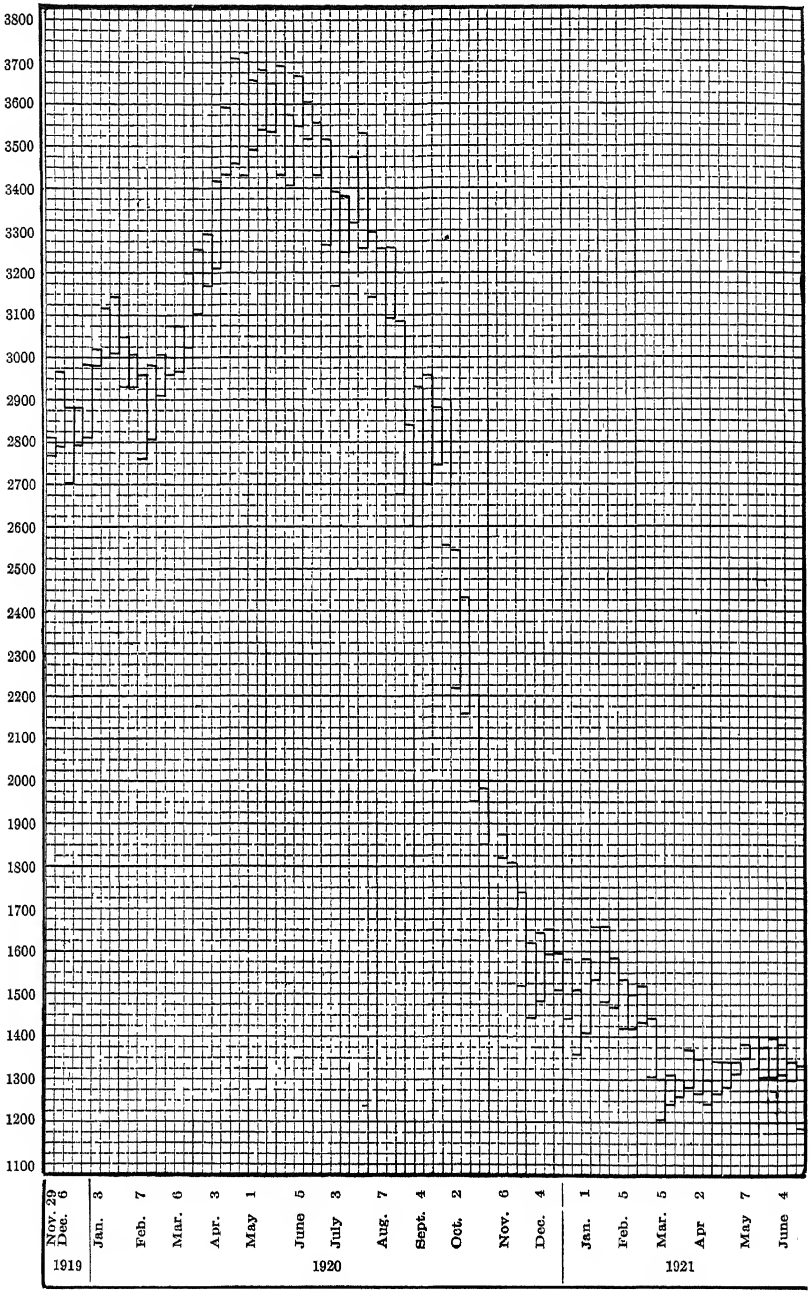
not be influenced by hope or fear. The same rule applies in narrow markets as in markets of wide fluctuations. Distribution has to take place before any important decline and time has to be allowed for accumulation before any big advance takes place.

DISTRIBUTION OR TOP ZONE

Chart No. 13 on cotton shows the October option from November, 1919 to January, 1923, that is, all important tops and bottoms, accumulation and distribution. Notice that from December 6, 1919 to December 13, it declined from 2970 to 2700. Then followed an advance up to 3140 on January 17, 1920; then a decline to 2760 on February 7. The following week the market started to rally, after making a higher bottom than the one in December. After that note the progressive bottoms and tops. The advance continued, every week making higher, until the week of April 17 it advanced to 3715. The following week, ending April 24, it advanced to 3725, which was the final high. It declined quickly to 3430, but as distribution had not been completed, it required time. The market fluctuated up and down over a wide range, running up near the 37-cent level several times. On May 22, it advanced to 3690; then declined to 3410, and on June 5 made the last rally to 3670. After that it declined to 3170 on July 3; then rallied to 3530 on July 24, but the decline on July 3, as you will see, had broken under the distributing level, which indicated that the big trend had turned down and that cotton was a short sale on all rallies.

LIQUIDATION

A rapid decline followed, which carried prices down to 2550 on September 4, 1920, followed by a rally to 2960 on September 8. Note the following week was a narrow range. Then the decline started again, and drastic liquidation continued, carrying prices down to 1440 during the week ending November 27. After this the market rallied to 1650; declined to 1360 on January 1, 1921, rallied to 1640 Janu-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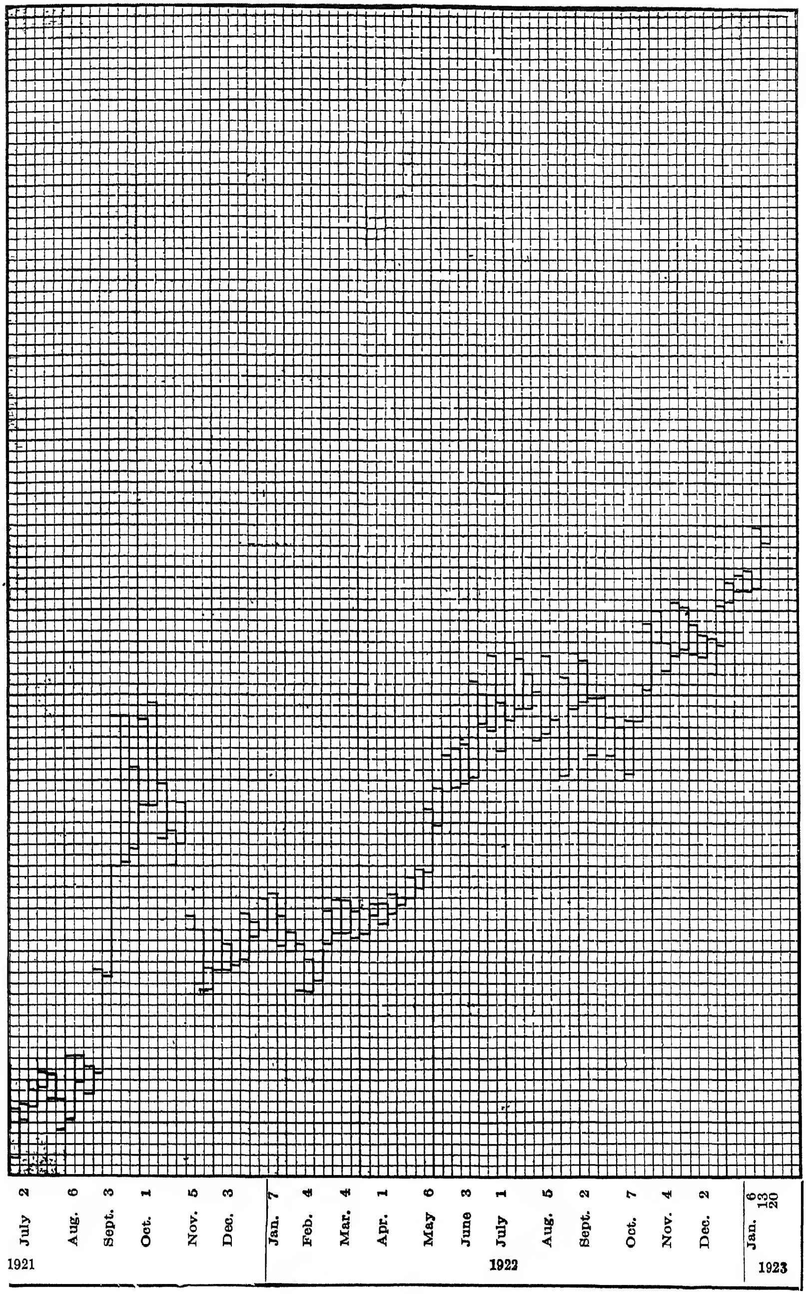


ary 22, which was slightly above the top on December 18, 1920, where it again met selling. Notice that fluctuations were narrowing down, but bottoms were getting lower and tops also decreasing. The decline continued to March 5, and prices reached 1200. A slow rally followed, prices getting back, as you will see, to the 14-cent level during May and early June. Then followed another decline down to 1120, making final low on June 25.

ACCUMULATION

This was a sharp bottom and a quick rally followed, which carried prices to 1320 on July 16, 1921; then a reaction to 1190 on July 30; followed by a rally which carried prices up to 1350 on August 6, for the first time since prices broke under 30 cents per pound making a higher top after an important new low level. Here the market rested for a couple of weeks and then advanced above the August high. This was the cue that the trend had changed and that it was time to buy, because after several months of narrow fluctuations at a low level, prices became very active on the advance. Now when the 14-cent level was crossed, which was above all of the tops made in May and June, it was another sure indication that a big move was on, and this would be the place to pyramid. Prices advanced rapidly in September, and crossed the high levels around 1650 which were made in December, 1920, and January, 1921. The advance was rapid, and by September 10 had reached 2150. Then followed a sharp reaction to around 1810. This is where your stop loss order would have put you out when the reaction started.

You can not expect a big move upward or downward to start until after accumulation or distribution has taken place. The market halted for a few days above the 18-cent level, then rallied right back to 2150. This would have been the place to go short with a stop loss order 30 to 40 points above the old top. After this, prices again declined to around 1930 where they became dull and narrow. The advance started again and on October 8, 1921, rallied, making a slightly higher top at 2175. A decline started and

continued downward till prices reached 1520 the week ending November 19. Then a slow rally for several weeks, carrying prices up to 1730 on January 7, 1922; followed by a decline to 1510, making a double bottom against the low of November 19, 1921. This would be your buying point with a stop loss order 30 to 40 points under the previous bottom.

SECOND STAGE OF BULL MARKET

After this, a slow advance started. On February 25, 1922, prices were up to 1720, just under the high price made in January. A reaction followed carrying prices to around 1640, where the market became very dull and narrow. In this position you should wait and see whether prices broke under the level made on the first reaction during the week of March 4, or whether they advanced above the high price made on January 7. During the week ending April 22, prices crossed the high level made in January and March. This showed that the trend had turned up, and as big accumulation had taken place over a long period of time, you could expect a big advance. The trend continued upward until June 24, when prices reached 2290. Then followed a sharp decline down to 2070; then a quick advance up to 2325. Here the market became narrow and dull around the top levels and you should have sold out and gone short.

RESISTANCE LEVEL

A decline followed to 2090 during the week of July 29, 1922; then an advance to 2290 the week of August 5, followed by a sharp decline down to 2000; then a rally to 2290 on August 26, prices again failing to get above the high levels made in the early part of July and August. This indicated distribution around the 23-cent level, and you should sell out and go short with stop 30 to 40 points above old tops. A decline followed, carrying prices down to 2000 again during the week ending September 30. 2000 was the level reached on August 12, and you should cover shorts and wait, or you could buy with a stop loss order 30 to 40 points under this level, which was not broken.

THIRD STAGE OF BULL MARKET

An advance started, the market moving up rapidly, carrying prices above the 23-cent level, and over all of the tops made in July and August. This was an indication that prices were going higher. They reached 2400 the week of October 28, 1922. Then they declined to 2260; rallied to a new high, 2415, but became narrow and dull and your stop loss order would have been caught on a reaction. The next point to watch was the last low level made on November 4. When prices reached this level the week of December 9, you should have bought with stop loss order 30 to 40 points lower and your stop would not have been caught. After this, the advance was resumed, the market continuing to make higher prices until the October option reached 2677 on January 24, 1923, the date of this writing. After distribution is completed at these high levels, a long decline will start which will carry prices back to the 15-cent level or lower.

This chart is all you need to learn about reading the tape on fluctuations in cotton, because the same principles are followed whether the market is a narrow normal market or an abnormal market selling at extremely high prices. I have simply used this chart to illustrate the principle of trading. You can apply it to any other option or any period in the past or future, and will find the market working out the same.

It always pays to trade in the active options, and not trade when they get too close to maturity. There is no use taking chances on wild fluctuations and bad executions when you get near delivery dates. Trade in the next option where you can get good executions.

CHAPTER XXIX

HOW TO DETERMINE A CHANGE IN TREND

When the market is fluctuating in a very narrow range, you should keep up a chart of every 10-point move made during the day. In this way you will be able to see whether accumulation or distribution is taking place, and discern where resistance levels are formed. When it breaks out into new territory you can then follow the trend. In very active markets, when prices are high and the range wide, fluctuations of 10 points mean very little, and you should keep a chart of every move of 30 to 40 points made during the day. In this way you will be able to locate the resistance levels and tell when it breaks out of the zone of accumulation or distribution.

You should always keep a monthly, weekly, and daily high and low chart on the active options you are trading in. It will only require fifteen to twenty minutes each day to do this and you will be well repaid for your trouble. The value of charts is to determine where support is given and where it is withdrawn; also where resistance is met on an advance and where it is overcome, thus enabling you to buy and sell and place a stop loss order as close as possible for your protection.

After violent fluctuations up or down, the market nearly always comes to a standstill before the next move starts. Buying and selling becomes about equal and the market narrows down, then activity starts one way or the other and you should go with it. Of course, there are bound to be false moves at times. After accumulation is shown some news may develop which will cause a sharp drive down, followed by a quick rebound. Then if prices go above the levels previously established, you can consider that the move has reversed and that prices will continue upward.

Often when the first top is made, a lot of profit taking will be encountered and a short interest will be built up. Something will occur of a favorable nature to scare the shorts and they will cover, forcing prices to a slightly higher level, which weakens the technical position. Then a quick decline will start, and if previous low levels are broken and the market is very active on the decline, it will be an indication that the trend has again turned down.

Do not try to trade every day. Watch and wait for opportunities and once you see you are in right and with the trend of the market, follow it up or down until you see a sign that the trend has reversed. Do not close your trade just because you have a profit, but always be convinced by the position of the chart and the general condition, that the trend has changed. Never buy after a lot of very bullish news comes out, nor sell after an extremely bearish report. Both good and bad news is nearly always discounted. Of course, consider whether the trend is up or down when good or bad news is made known.

Never try to start to pyramid after a long advance or decline. The chances are against you. Begin pyramiding when the trend first turns up or down after long moves. When prices reach top or bottom, as a rule, a series of rapid fluctuations take place; then the market gradually narrows down and lays the foundation for another important move.

If prices are high in the spring of the year, after a very short crop, be very careful about buying, as a decline may start which will discount a new crop six months later. The same applies to selling short in the spring following a very large crop. If prices are low, they have already discounted the old crop, but have yet to discount the future, which may be more favorable or unfavorable. After everybody knows about a large crop, or an extremely short one, it is too late to trade on it to advantage, except on rare occasions, and your chart will always show you when these changes are taking place at high or low levels.

Do not sell cotton short just because it may be at a very high price. Remember it can always go higher if conditions are right. Neither buy it just because it is at a low level, as it can always go lower. Never buck the trend, and do

not try to guess the top or bottom. Wait until the chart shows you that the trend has turned. You can always make plenty of money buying or selling after the trend is well defined. The man who is in too big a hurry will lose money and miss opportunities just as often as the man who is too slow to act.

CHAPTER XXX

THE BOLL WEEVIL

This little pest began his ravages on cotton in Texas about twenty years ago. He has grown gradually worse, working further north every year until he finally crossed the Mississippi, doing great damage in the Southern cotton-growing states. Man has used all of his resources at hand to destroy this little monster and at the present writing everyone seems to think that the boll weevil is unconquerable. It reminds me of 1893, when cotton was selling at 4 cents per pound and people were disgusted and leaving their farms. Uncle Henry said "Things are so bad that something has to be done. You can't beat that old head of a man for figuring out things." Of course, after fields were abandoned and people went to the saw-mills to work, crops decreased and prices went up. When conditions go to the extreme one way or the other, something always happens and men get busy, start thinking, and figure out a way to bring about a change.

In 1917, when the English and French had their backs to the wall, and Germany was driving them rapidly back, the time had come when something must be done, and it was Uncle Sam's boys that turned the tide and saved the day. The American people, while extravagant, are resourceful in many ways, and every age produces its genius. Whenever we reach extremes and there is a great demand for brains, they are always forthcoming. Millions of dollars have been raised recently to solve the problem and exterminate the boll weevil and there is no doubt but that the man of the hour, some American genius, will appear with a new invention or destructive poison, which will spell doom to the little boll weevil. Then the bulls who were talking and hoping for 40 cents and 50 cents per pound on cotton, like the boll

weevil, will pass away and the bears will again reign supreme with cotton back in the "teens."

Cotton has held at high levels since 1915, when the advance started from 7 cents per pound. I remember well in the Fall of 1914 when the South was in deplorable condition, and they were urging everyone "to buy a bale." Cotton could only be sold for about $30 per bale, but to save the South, people were urged to buy it at $50 per bale. I recall, one night I was in the McAlpin Hotel, and in the lobby there was a bale of cotton with a big sign on it: "Buy a bale and help save the South." This was the extreme of over-production—big supply and small demand; of course, helped by the outbreak of the war, which temporarily stopped European buying.

With cotton around 29 cents a pound, and having been higher for many years, people are convinced that the boll weevil is the "Kaiser" of the hour, and that cotton can never be grown again in sufficient quantities to supply the demand. But a change will come, and a supply in excess of the demand will be produced. Why? Because there is big money in growing cotton at 25 cents per pound. People will always go into a business where money can be made, and over-production is sure to come. It is the other extreme which must follow the present conditions of small supply and large demand. I have no hesitancy in predicting that a large crop will be grown in 1923 and that before the spring of 1924 cotton will sell at the 15-cent level and in a few years will again be below 10 cents per pound.

When extremes occur and everybody is radically bearish and can see no hope for prices ever advancing, or when prices are abnormally high and everybody believes that conditions are such that there is no hope for prices ever going down, that is the time to go against human judgment and follow the tape and charts, for they will point to the correct course of prices according to the natural law of supply and demand.

CHAPTER XXXI

WHEAT AND CORN TRADING

The Wheat and Corn markets, like Cotton, are easier to follow than stocks, as I have explained before, because they are less confusing. Once you determine the trend, all options move with it. If you buy or sell and are correct on the trend, you will make profits; while in trading in stocks, you might be correct on the trend of rails, for instance, but if you picked the laggard stocks to buy or sell, you would make very little money or might even have a loss, although you were right on the trend. This can never happen when trading in grain. Therefore, it is well to make a careful study of the commodity market, as it offers several opportunities every year for making substantial profits when the seasonal moves take place.

ABNORMAL MARKETS

Remember that abnormal markets, with wide fluctuations, only occur years apart. Therefore you must not expect unreasonable profits in normal times. During the past seven years, or since the war broke out, we have had abnormal markets, and Wheat and Corn have made a wide range of fluctuations, much greater than can ever be expected in normal times. Many traders miss opportunities for fair profits at the present time because they are looking and hoping for war profits. There is no reason or sound basis for it. They are simply gambling on hope.

The price of Wheat, Corn and Oats is to a great extent determined by the purchasing power of the dollar. The farmer could make more money in 1895 and 1896 growing Wheat and selling it at 60 cents per bushel, than he can selling it today at $1.00 per bushel, because the purchasing

power of the dollar has decreased. Labor and land values have increased. When these conditions change and farm labor is again back to normal, Wheat and Corn, as a natural consequence, will seek lower levels. All of these factors which govern natural conditions must be considered in judging the trend of a market.

CAPITAL REQUIRED

The amount of capital depends upon whether Wheat is in a narrow range in a normal year or making wide fluctuations in an abnormal year. I consider that at least $2,000 should be used under any condition for trading in 5,000-bushel lots. Then, if you limit your losses to 2 cents to 3 cents per bushel, you can make enough trades on your capital to continue until your profits exceed your losses.

Suppose you use a stop loss order about 4 points away, which would mean a loss of $200 on each 5,000-bushel lot. This would enable you to make ten trades on your capital. If you made five trades and they all showed losses, you would still have plenty of margin to make another trade, and if you were successful in working with the trend, two trades that are right should wipe out five losses.

In a normal market you should use about $1,000 for each 5,000 bushels of Corn that you trade in. Losses should be limited to about 2 cents per bushel and stop loss orders should never be more than 3 cents per bushel away. It is not safe to risk more than 3 cents on any one trade. If you are wrong, you should get out and wait.

STOP LOSS ORDER FOR PROTECTION

In trading in Wheat or Corn, stop loss orders should always be used on every trade. The man who trades without a stop loss order will sooner or later lose all his money. As a rule, it never pays to risk more than 2 cents to 3 cents per bushel on any one trade, and even in abnormal wild markets not more than 5 cents per bushel. If you can not guess the top or bottom within 5 cents per bushel, you are wrong and should get out and wait for a change in trend.

Never buck the trend, because your stop loss orders will be caught more often. In a bull market, always buy on a reaction; in a bear market, sell on rallies. Do not try to guess when the market has reached top or bottom, but wait until the tape shows it. Give the market time, and supply and demand will tell you when the trend has definitely changed.

PYRAMIDING

In active markets, you can pyramid. The distance between your trades in pyramiding depends, of course, upon the market. In a narrow market, you should not buy or sell a second lot until after the first trade has moved 4 cents to 5 cents in your favor. In markets like we had during the war, you can pyramid about every 7 cents to 10 cents per bushel up or down. In normal markets, when Wheat moves 10 cents to 12 cents per bushel, you can always expect a reverse move of from 3 cents to 5 cents per bushel. Therefore, you have to be careful about buying or selling on the bottom or top of a 10-cent move.

Once the market gets away from the accumulation period and the trend is well defined up or down, reactions are very small. While accumulation or distribution is taking place, you should trade for small scalping profits, and never attempt to start to pyramid. Wait until the accumulation or the distribution zones are cleared before buying or selling a second lot.

CHAPTER XXXII

JUDGING ACCUMULATION AND DISTRIBUTION ZONES

The same rules that apply to stocks and cotton apply to grain. Before any move of great importance or of long duration takes place, time is required for accumulation or distribution. In an active option, you should keep up a daily high and low chart, a weekly, and a monthly chart. The daily chart will enable you to tell when the minor moves start, which only last for a few days; while the weekly and monthly charts will enable you to determine when there is a change in the major trend, and thus you can buy or sell in time to catch the big moves.

MONTHLY RANGE OF WHEAT PRICES

Supply and demand govern the course of commodity prices, but the tape, or a chart, which reveals the concentrated buying or selling power, will show which way the main trend is moving.

In 1894 and 1895 Wheat sold at 50 cents per bushel, which was the lowest since the Civil War. Prices did not advance rapidly but held at low levels for several years. Note Chart No. 14 from 1895 to 1898. The bottom on May Wheat was made at 56 cents in December, 1895; then rallied to 68 cents in February, March and April, 1896; declined to 56 cents in May, 1896, the same level made in December, 1895. After that, prices crossed the 68-cent level, which was above the distribution zone, and advanced to 85 cents, where you will notice they made the same level of tops for four months. Then followed a decline to 64 cents in April, 1897. After this, the advance started, which carried prices above 85 cents, the highest they had been for several years. Prices reached $1.00 per bushel in August,

CHART No. 14.—May Wheat, Monthly High and Low. 1895–1904

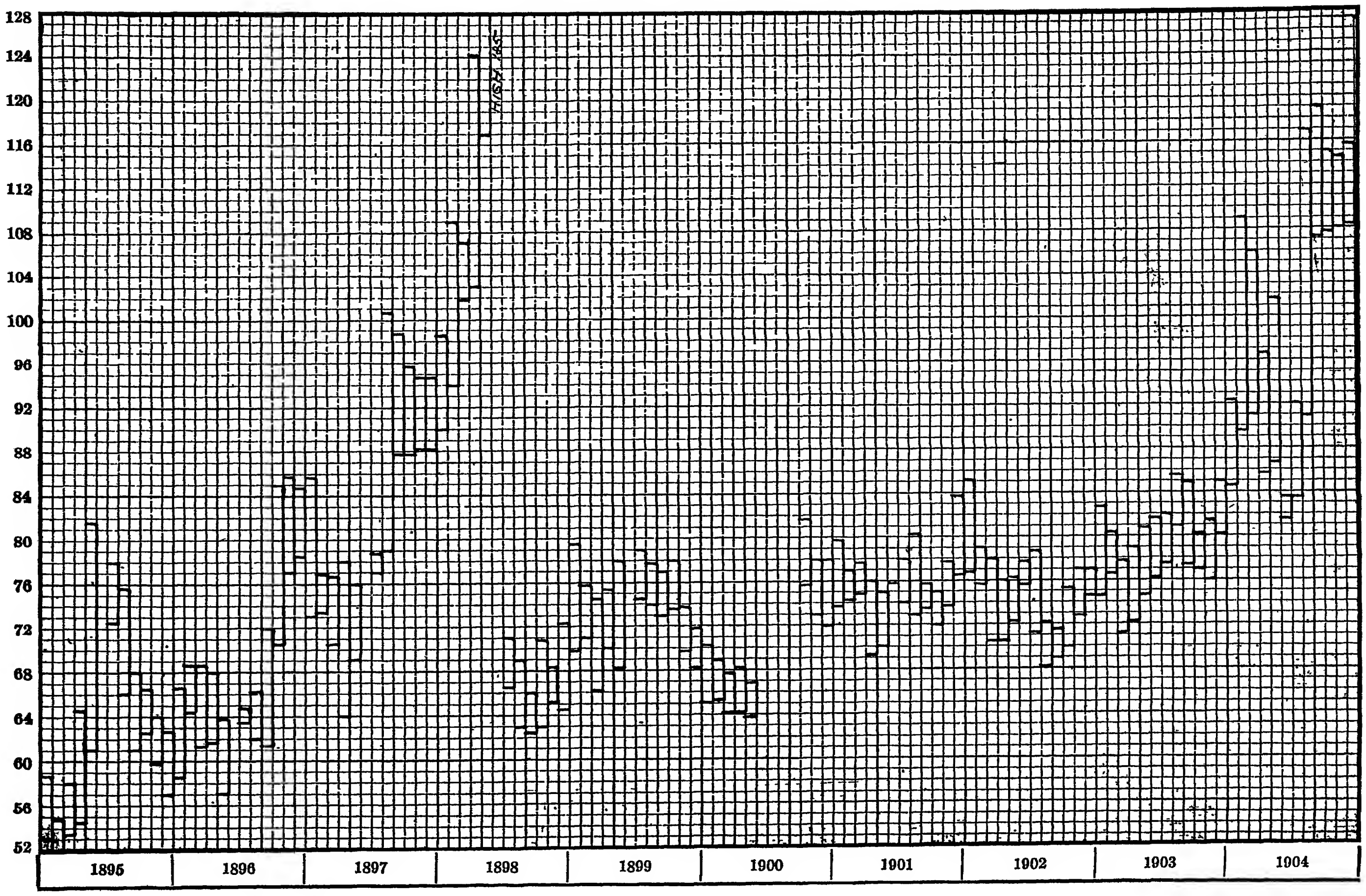


CHART No. 14—May Wheat. Monthly High and Low. 1905–1914.

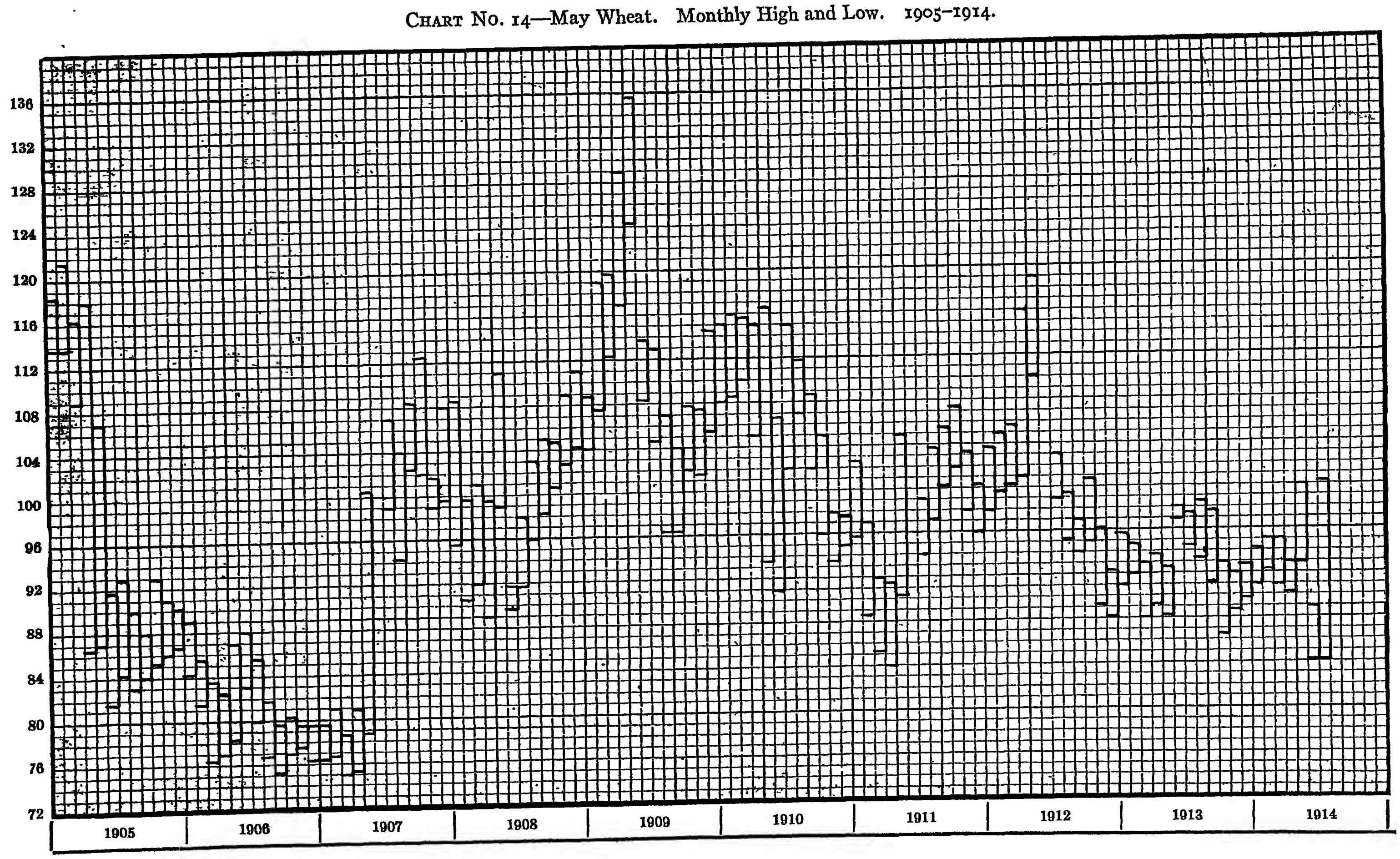
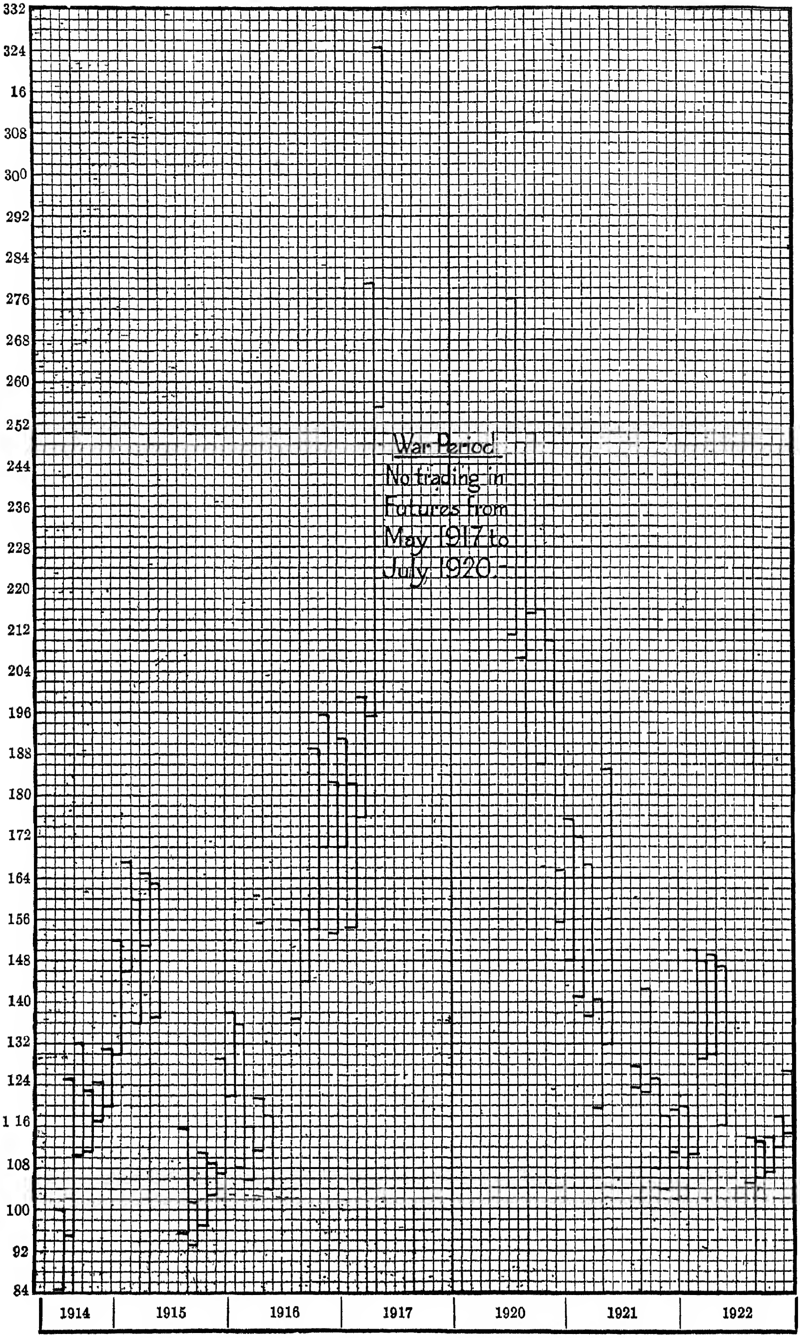


CHART No. 14.—May Wheat, Monthly High and Low. 1914–1922



1897; then reacted to 88 cents, fluctuating in a narrow range between 88 cents and 95 cents for four months. In December, 1897, prices advanced to 98 cents which was above the high level for the past four months.

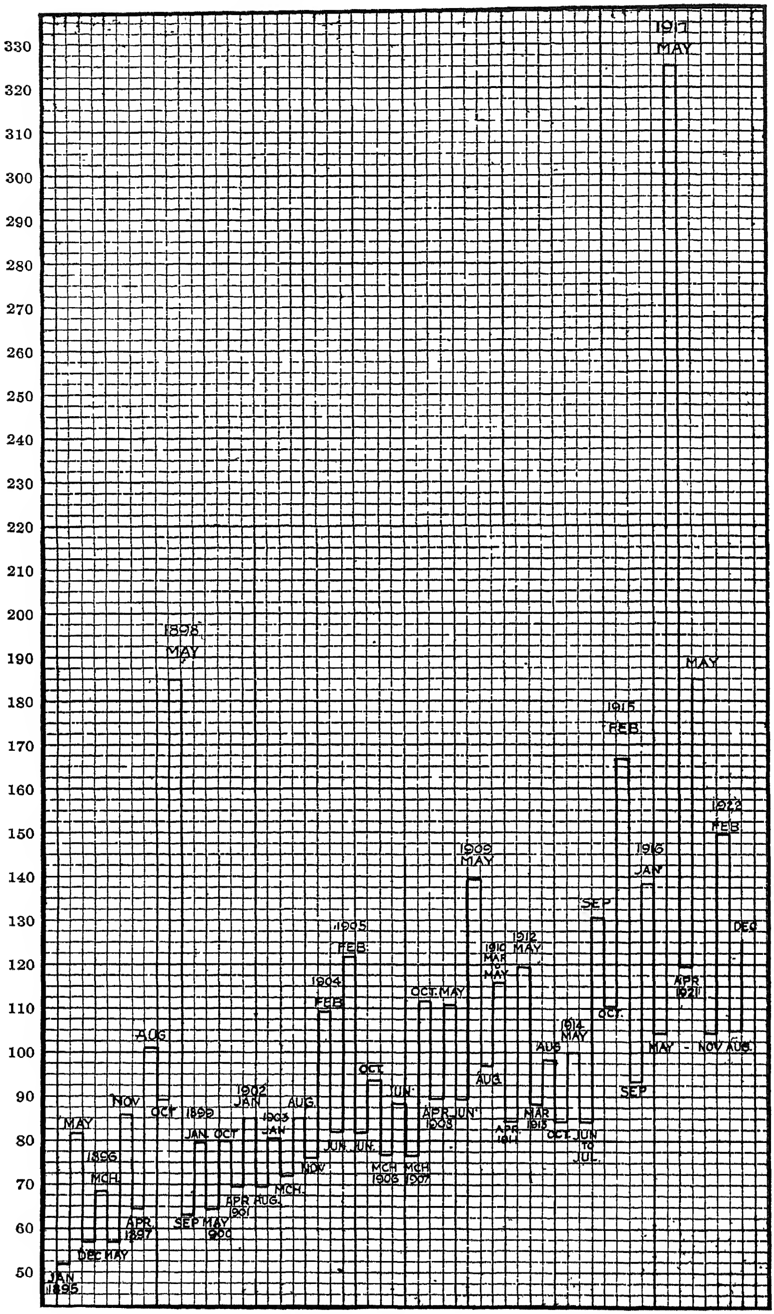
Remember we have stated that before any big advance or decline takes place, there must be a long period of time for accumulation or distribution before the move starts. From August, 1897, until February, 1898, accumulation had taken place at a level above the high prices for several years past. In other words, prices were maintained at a level which was really a new high level of values, for a period of seven months, and once the trend turned and advanced above $1.00, it continued up to 1.09, showing a big move was on. During the month of March, 1898, trading was in a narrow range between 1.07 and 1.02 for the May Option, but every indication showed that the trend was up. Then the big advance started which carried May Wheat to 1.85 in May, 1898. This was the Leiter Corner. Mr. Leiter had accumulated a large line of Wheat but was unable to sustain prices at a high level, with the result that the Corner collapsed and Wheat immediately broke back below $1.00 per bushel.

In September, 1898, notice that May Wheat again declined to around 62 cents per bushel. It held for three months around this level and in January, 1899, advanced to 79 cents. After that the market was a narrow, normal affair and prices again advanced to around 79 cents in July and September, 1899; then declined to 64 cents in March, April and May, 1900, where you can see that the fluctuations narrowed down to 3 or 4 cents per month.

SWING CHART

After that followed a long period of narrow fluctuations, but you will note from Chart No. 15, which shows only the big swings—major tops and bottoms—that from the early part of 1895 prices continued to work higher every year; that is, making a slightly higher bottom every time, until the war broke out in 1914, which again carried prices to abnormal high levels, reaching 3.25 in May, 1917.

Chart No. 15.—May Wheat, Swing Chart. 1895–1922



Notice the top in the fall of 1904 and the early part of 1905, when Wheat reached 1.20, which was the highest price since the Leiter Corner. Note that distribution took place between 1.08 and 1.20, and that when prices broke below this level, they rapidly declined, reaching 82 cents in June, 1905. This is what always follows a long period of accumulation or distribution. Once prices break out of the accumulation or distribution zone, a rapid move follows.

Note the bottom made between March, 1906, and April, 1907—a period of twelve months in a very narrow range. In September, 1906, prices declined to 75 cents and never rallied above 81 cents until May, 1907, a period of nine months of accumulation in a very narrow range. In May, 1907, when prices advanced to 82 cents they were out of the accumulation zone and immediately moved up rapidly to $1.00 in May, and on the Green Bug scare in October, 1907, Wheat sold at 1.12.

Note on Chart No. 15 that the low price on Wheat in April, 1911, was 84 cents and that it advanced to 1.19 in May, 1912. Then followed a long period of accumulation in 1913 and 1914. In June and July, 1914, prices were again down to 84 cents, the last low level of 1911. Here was a period from October, 1912, to July, 1914, when prices held in a range of 6 to 10 cents per bushel most of the time, which plainly showed another period of big accumulation the same as was shown in 1906 and 1907.

The war broke out the latter part of July and the advance started. When prices crossed the accumulation level of $1.00 it plainly indicated a big advance. Despite the fact that this country had a large crop and enormous surplus, prices advanced to 1.32 in September, 1914. Then reacted to 1.11 and after several months of accumulation, advanced to 1.67 in February, 1915, at which level, you can see, they held for about four months while distribution was taking place. Prices declined to 93 cents in September, 1915; advanced to 1.38 in January, 1916; declined to 1.04 in May, 1916.

After this, the scarcity of Wheat in Europe and the enormous buying by foreign countries, carried prices to 3.25 in May, 1917, when the Government stopped trading in Futures and fixed the price of Cash Wheat at $2.50 per

bushel. Trading started again in July, 1920. The December option opened at 2.75. Prices continued downward until April, 1921, when the May option reached 1.20. Then followed a squeeze during May, 1921, which carried the May option up to 1.85. In November, 1921, the price again declined to 1.04, which was the last low level reached in May, 1916.

Then followed several months of accumulation in a narrow range, as you can see from the chart, and in February, 1922, May Wheat advanced to 1.49⅞. You can see that during the months of February, March and April it advanced to around this same level, but failed to exceed the top made in February. During the early days of May, 1922, the May option was selling at 1.47, and everybody was bullish and hoping for $2.00 Wheat, but the chart, which is a record of the tape and shows the balance of supply and demand, plainly indicated that somebody had been supplying Wheat between 1.44 and 1.48 for nearly four months.

The decline in May, 1922, was rapid, carrying prices down to 1.16. Wheat continued to slowly work lower, and the May option declined to 1.05 in August, 1922. It remained between 1.12 and 1.06 during August, September, and October; then crossed this level and advanced to 1.26¾ in December, 1922. Note that the last low level, 1.04, was made in May, 1916, and again the same level in November, 1921, and in August, 1922, 1.05, which was practically the same level. The next time that Wheat declines to 1.04 for the May option, it will indicate lower prices and will probably continue down to around 93 cents to 90 cents per bushel. Should it cross the last level, 126¾, made in December, 1922, it will then be an indication for higher prices.

Make up a chart on any option of Wheat, Corn, Oats or Barley, and judge it in the same way that I have explained and you will be able to determine the zones of accumulation and distribution. When once prices break out of these zones, you should follow the trend until it changes again. Never trade without a reason. Do not sell because prices are high or buy because they are low. Wait until you see an indication that the trend is plainly indicated; then go with it.

WEEKLY CHART

Wheat and Corn make both sharp and flat tops and bottoms. Chart No. 16a shows weekly high and low on May Wheat. Note on April 16, 1921, May Wheat declined to 1.19; rallied to around 1.32, holding two weeks in a narrow range; then made a rapid advance to 1.85 at the end of May. This was a straight run-up from a sharp bottom in which only two or three weeks were used for accumulation; then a rapid advance on short covering to a new high level.

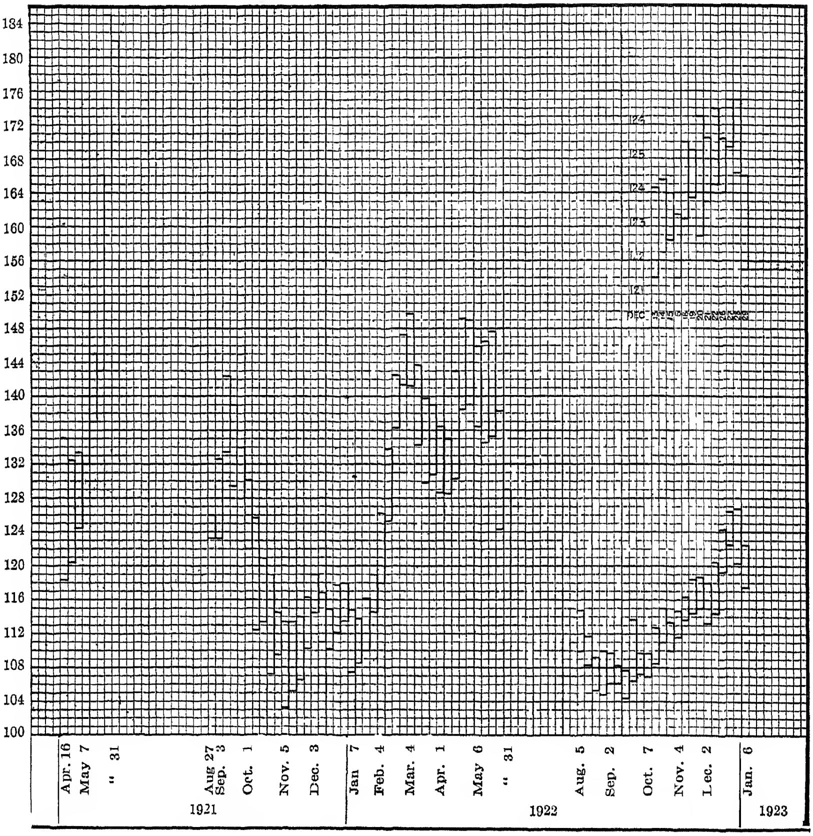
Note the weekly chart from October, 1921, to January, 1922. You will see that over 14 weeks of accumulation was plainly shown and that prices never got as low as 1.03½, the level reached on November 5, 1921. The fact that they held for a long time without going lower showed accumulation, but if you waited until you had a plain indication, when prices reached 1.20, which was above the accumulation zone, you would have caught a fast advance which carried prices up 28 cents per bushel in four weeks.

After prices reached 1.49⅞ on February 27, 1922, notice a sharp decline to 1.30 took place. Prices held for four or five weeks in a narrow range, reaching the lowest level, 128½, around April 1 to 8; then advanced again to 1.49. Here they halted, failing to cross the high price of February and for five weeks distribution was going on, giving you plenty of time to sell out and go short with a stop loss order 2 to 3 cents above the high price made in February and the latter part of April.

After this, a rapid decline followed in May and prices worked slowly lower until the May option reached 1.04½ in August and September, 1922. Here you find another level in a narrow range with five or six weeks of accumulation. During the week ended September 23, prices advanced above the accumulation level and showed that the trend had turned up. They reacted after that, but continued to work higher until they reached 1.26¾ in December, 1922, and here is where the daily chart helps us to get out near the top.

CHART No. 16a.—May Wheat, Weekly High and Low, April 16, 1921 to January 6, 1923

16b.—May Wheat, Daily High and Low, Dec. 13 to 29, 1922.



DAILY CHART

I have shown on Chart No. 16*b* daily high and low from December 13 to 29, 1922. Note that on December 20 prices reached 126¼; on December 22, 1.26½; on December 27, 1.26¾ and on December 28, the high was 1.26½, from which the decline started. The high price on December 18 was 1.25½ and for ten days prices failed to gain more than 1 cent per bushel, which showed that a level had been reached where supply was in excess of demand and after this period of time when prices broke back below 1.25, which was under the distribution zone on the daily chart, it was an indication to sell out and go short. Thus you see that the daily chart will help to give you a minor change and get you in or out close to tops and bottoms before the weekly and monthly charts show a change in the major trend. But the daily chart will often fool you, as the time period is short and many false moves occur which are the reverse of the main trend and do not in any way change it.

DETERMINING CHANGE IN TREND

By study and experience and by considering the activity of the market, you will often be able to determine very quickly an important change in trend. Of course, there is no way of knowing the exact amount of Wheat or Corn traded in daily; therefore the only way to judge when there is a large volume of business, is by the rapidity of the fluctuations. For instance:

Suppose May Wheat trades between 1.24 and 1.26 during the day, but fluctuates between the high and low price five or six times; that is, moving up or down over the same range. Then we would conclude that there was a large volume of business being transacted and that somebody was supplying large quantities of Wheat around 1.26 and buying around 1.24. Now, if it declines the next day below 1.24, it would be an indication that support had been withdrawn, or if it advances above 1.26, it would be an indication that the supply of Wheat at that level had been absorbed and that prices are going higher. But suppose the same day Wheat

trades between 1.24 and 1.26, it simply opens at 1.24 and advances to 1.26 without making any reverse moves up or down. Then we would conclude that the volume of trading was not large enough to indicate that it was getting ready for any immediate change in trend.

SUPPLY AND DEMAND

When a market starts to advance, it continues upward until it reaches a level where supply and demand are about equal and prices come to a standstill. Then supply increases until it exceeds demand, and prices start to decline.

In a long decline or a long advance, a level is reached where the supply is absorbed and prices go on to the next level, where they meet another large supply and absorb it, and finally to a level where the supply is so much greater than the demand that distribution takes place and prices start on a long trend down. This is why many weeks and sometimes several months are required at bottom or top to complete accumulation or distribution before a big move starts.

People who buy or sell the first or second time that the market halts after the trend turns, invariably lose money because it is simply a halting period to absorb offerings or to supply a demand at that level, after which the main trend moves on to the next level. For this reason, it does not pay to buck the trend—always go with it. If you trade against the trend for a quick turn and get a small profit, accept it; do not expect too much. At the same time, protect your trade with a stop loss order and do not let it run against you when you are bucking the trend.

SELECTING A BROKER

Last, but not least of all, selecting a reliable broker is most important. Millions and millions of dollars have been lost during the last few years through failures of unreliable brokers. Therefore, it is just as important to know that your money is safe and that you will get your capital and profits if you make them, as it is to know when to buy and sell.

Make the proper investigation and be sure your broker is safe, not only as to his financial standing, but also try to ascertain whether he or his firm speculates. I do not consider any broker safe who speculates or permits others to speculate on a credit with the firm or customers' money.

I do not advise trading at all with brokers who are not members of the New York Stock Exchange, New York Cotton Exchange, or Chicago Board of Trade. There are a few houses who are members of other exchanges that are honest and reliable. Therefore, investigate the house before you open an account.

I have written what I believe is required for your success. It is practical and based on the result of my years of labor and experience. Read this book over several times, for each time you will learn something new and get new ideas of your own which will benefit you. If you will follow the instructions carefully and trade conservatively, never buying or selling a stock without a reason nor being in too big a hurry to get in or out, I feel sure that you will make a success and after a few years will have cause to thank me for starting you on the right road to Successful Speculation and Investment.

W. D. GANN.

FINIS

WALL STREET STOCK SELECTOR

A REVIEW OF THE STOCK MARKET
WITH CHARTS, RULES AND METHODS
FOR SELECTING STOCKS

BY

WILLIAM D. GANN

FINANCIAL GUARDIAN PUBLISHING CO.
91 WALL STREET NEW YORK

FOREWORD

The aim and object of every trader who enters Wall Street is to make money, yet it is a well known fact that a large percentage of traders lose money. There are many reasons for their losses. One of the most important is that they do not know how to select the right stocks to buy and sell at the right time. I expect to give rules provable and practical which will help traders to study and learn how to select the proper stocks to buy and sell with a minimum of risk.

The main object of this book is to bring TRUTH OF THE STOCK TAPE up to date and give the investor and trader the benefit of seven more years of my experience, which has been valuable to me, and if the reader will profit by my experience, it will prove valuable to him.

In this life we must have some definite aim or hope to attain happiness. Money will not bring all of it. Neither can we always help others with money. The best way that I know of to help others is to show them how to help themselves. Therefore, knowledge and understanding properly imparted to others is the greatest good that we can do for them and at the same time do good for ourselves. Thousands of people have written me that I have helped them through TRUTH OF THE STOCK TAPE. I believe the WALL STREET STOCK SELECTOR will give you more knowledge, will bring you more happiness through money gained, than any other book. If it does, I will be well repaid for my labor.

W. D. GANN.

New York, N. Y., April 24, 1930

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CHARTS

WALL STREET STOCK SELECTOR

CHAPTER I

NEW ERA IN STOCKS OR CHANGED CYCLES

During 1927, 1928, and the first half of 1929, there was much talk of a new era in the stock market and the great value of the Federal Reserve Bank in preventing panics. Many economists, bankers, large financial operators, and business men said that the day had passed when there would be panics caused by money conditions such as had happened in 1907 and previous years. At the same time these people were talking about the millennium in financial affairs and the stock market, but they seemed to have forgotten what happened in 1920 and 1921. The decline of 1920 and 1921 following the great bull campaign of 1919 was due to "frozen loans" and tight money. The Federal Reserve Bank was in existence at that time, but that did not prevent Liberty Bonds from declining to around 85 and stocks from selling to the lowest levels on averages since 1914 before the World War began. I quote an article which appeared on November 28, 1927, in one of our leading newspapers. This article was headed "Goodbye, Business Cycle."

"The bugaboo of a 'business cycle' has lost much of its terror-inspiring influence. Scientific management seems to have overcome it. Years ago much was heard of recurring periods of prosperity and depression, and so-called prophets of business, mostly self-styled, were wont to discourse on 'business cycles,' to the great alarm of industry and finance. These prophets proclaimed that business moved like the waves of the ocean and that the higher the waves the deeper the gulf between them. They said that the same was true of business, and for a long time they had the country scared to their own considerable profit from their necromancy.

"But the spell has been broken and the pall of their prophecies has been dispelled. Business men in all lines are freed of the fetish. They realize

that 'the business cycle' was a scarecrow. They know that there is no occasion for such a thing if business is held to an even keel. All that is necessary to so hold the rudder is common sense, co-operation and good judgment. There remain a few 'cycle' croakers, but their throats are hoarse from ineffective incantations, and business is going on in a highly prosperous way with no 'cycle' upheavals in lo, these many years, and with no threat of one. Business has seen greater boom times but never was on a more substantial basis, because business men have learned how."

It is easy to see how confident this writer was, how he winds up his article by saying, "Business has seen greater boom times but never was on a more substantial basis because business men have learned how." This writer was honest and conscientious: of that I have no doubt, but he was either ill-informed or incompetent. He had not gone far enough back in the past to know that history repeats in the stock market and in business.

Late in the Fall of 1929 the worst stock market panic in history occurred and was followed by a slump in business, thus proving the theory that cycles do repeat, and while we may have been in a seeming new era we were only repeating an old cycle or condition which always follows years after wars.

HOW TRADERS WERE FOOLED ON CYCLES

Many of the old-time veterans of Wall Street made just as bad mistakes in the 1921 to 1929 Bull Campaign as the rankest lamb.

Many people who had never studied the records of stock markets further back than 1901 to 1921—and some of them never reviewed them that far back—had the idea, from what other people wrote or said, that a bull market never lasted more than two years. This was the wrong idea which cost many traders heavy losses. After stocks advanced from 1921 to 1923, declined in 1924 and started up again after Mr. Coolidge was elected, and advanced in 1925, traders considered that according to the old rule the bull campaign was over and went short, with the result that they took heavy losses. They continued to fight the market at different times during the bull campaign, thinking that every time the market advanced to a new high level, it would

be final top. Certain stocks continued to advance into 1929. Many of these veteran traders made the final mistake, which was worse than any of the first mistakes, of getting bullish at the end of the 1929 Bull Campaign and buying stocks, with the result that they suffered heavy losses in the panic which followed.

There are now over 1500 stocks listed on the New York Stock Exchange against about half this number in 1924. New groups have developed; new leaders have come to the front; new millionaires have been made under new conditions and old millionaires have been unmade. The old-time leaders of the stock market, who failed to change with conditions and applied the old rules, have gone broke. It is reported that Livermore measured the average swing of stocks in 1924 and 1925 and found them too high, according to rules he had previously used; then he went short of the market, lost a fortune, retreated, tried the market again in 1927 and again failed to properly gauge the right time to sell stocks and finally retreated and attacked in 1929, and made a fortune in the panic.

PANICS FROM 1814 TO 1929

Before going into details of the cause of this greatest Wall Street panic, it is important to review the other panics in the United States and in Wall Street over a long period of years and what caused these different panics.

Many factors contribute to the cause of panics. The principal and most important cause of all panics is high money rates, which are due to overextended credit and overspeculation. Some of the other causes are undigested securities, both stocks and bonds, or low prices of commodities and foreign exchange, overtrading both in business and the stock market, bank failures, exports and imports, price of silver, copper, iron and other basic commodities. If prosperity runs for a long time and stock market prices continue to advance over a period of years, the public becomes overconfident; moves in the markets and business reach the gambling stage. Everybody becomes optimistic and gets the gambling fever and continues to buy until everything is over-

done and prices reach a level not warranted by business conditions or the earnings of the corporations of the various industries. When this stage is reached, money gets scarce; banks get loaded up with loans on stocks after a great rise and liquidation has to follow.

The panic of 1814 was due to poor export business and overextended loans. The 1818 panic was again due to money conditions. The banks were overextended. The panics of 1825 and 1826 were due to high money, high discount rate in England, and a decline in commodities, especially cotton. The 1831 panic was caused by high money rates, too rapid expansion in loans and overextended business operations. The panic in 1837 to 1839 was caused by overspeculation and tight money conditions. Banks had to cease making specie payments. In 1839 the largest number of banks failed of any time up to that time. The 1848 panic was due to an increase in the number of banks and paper money in circulation and to low price of commodities, especially wheat, corn, and cotton, which this country at that time was largely dependent upon for prosperity. The 1857 panic was one of the worst in history up to that time. This was again due to too much paper money in circulation. For every dollar in gold and silver, there was about $8 worth of paper money circulating. There were a large number of bank failures and banks had to suspend payments. The 1861 panic was due to the Civil War. The 1864 panic was due to war, business depression and tight money. Stocks had also had a big advance, which had tied up a large amount of money in loans. In 1869 the panic was mostly a Wall Street panic. The "Black Friday" occurred in September, 1869. This was due to a long wave of speculation, which followed the Civil War and stocks had advanced to extreme high prices. The money rate at that time was the highest of any time since 1857 and 1860. The 1873 panic was one of the worst panics after the Civil War and was due to a large extent to conditions brought about by the war. However, overspeculation was one of the prime causes for this, also high money rates at that time advanced to the highest level since 1857. On September 18, 1873, the failure of J. Cook, National Trust Company, Union Trust

Company and other banks brought about serious financial conditions. On September 20, 1873, the New York Stock Exchange closed for the first time in its history and remained closed for 10 days until September 30. The rate of discount at this time was 9 per cent and banks suspended payments. The 1884 panic was due to overspeculation in stocks; gold flowed out to Europe and reserves were very low. There were big failures at this time, among them the failure of Grant & Ward. Call money had been high for several years preceding this panic, reaching a high of 30 per cent in 1882, 25 per cent in 1883, and 18 per cent in 1884. The panic of 1890 was largely influenced by overspeculation and high money rates. In 1889 call money reached a high of 30 per cent and in 1890 was up as high as 45 per cent. Commodities had reached the lowest levels since the Civil War, which helped to bring about business depression. The failure of Baring Brothers in London precipitated this panic. The 1893 panic was again brought about largely by high money rates. Call money rates in 1892 were up as high as 35 per cent and in 1893 as high as 15 per cent. Business failures were numerous due to low prices of commodities, principally wheat, corn, and cotton. The 1896 panic was due to the Bryan Silver scare and the fear that the gold standard would be disturbed. However, the low price of commodities had much to do with bringing about this panic, as general business conditions were poor and had been for several years. Call money rates reached 125 per cent, the highest rate up to that time since the Civil War. Average price for stocks reached extreme low on August 8, from which they started up, and after the election of McKinley, the McKinley boom followed, which was the biggest stock boom in this country up to that time. The 1901 panic occurred on the Stock Exchange on May 9, which was due to the Northern Pacific corner. While stocks rallied after this panic, the general list continued to work lower for several years. In 1903 and 1904, the period of depression was due primarily to undigested securities and to Government attacks upon the railroads. Call money rates reached 15 per cent in 1903 and went back as low as 1 per cent in 1904, and did not get higher than 6 per cent

during the year. Business conditions again improved in the latter part of 1904, after the election of Roosevelt, and a bull market followed in 1905 and 1906 when stock market prices reachced the highest since the McKinley boom started. The 1907 panic, known as the "rich man's panic," was due to high money rates, overspeculation, trust-busting and to the use of the "big stick" by the late Theodore Roosevelt and legislation against the railroads. Call money went as high as 125 per cent in October, 1907, when the panic was at its height. Banks were forced to suspend payment of currency all over the country. The 1910–1911 panic or period of depression was caused primarily by the Sherman Anti-Trust Act and was known as a period of trust-busting. The Standard Oil Company was ordered to dissolve and a suit brought to dissolve United States Steel Corporation, which later failed. Call money rates reached a high of 12 per cent in 1910. Stock prices reached the lowest levels in July. Money conditions were easier in 1911, the call rate failing to get above 6 per cent. The 1914 panic, which resulted in the closing of the New York Stock Exchange from July 31 to December 15, was due to the outbreak of the World War, but there would have been a panic and business depression in this country if war had not broken out, because commodity prices had reached the lowest levels for many years and business conditions were generally poor. Money rates had been high in 1912, call money reaching 20 per cent and getting as high as 10 per cent in 1913 and 1914. Europe was a large holder of our stocks at the outbreak of the World War and it was this liquidation that forced the New York Stock Exchange to close. Money and business flowed into this country as a result of this war and commodity prices advanced, which helped business here and a boom followed. Market prices reached high in the Fall of 1916; speculation was overdone and call money reached a high of 15 per cent. Liquidation started, which resulted in the panic of 1917. This was due to overspeculation, resulting from the war boom. After the war was over another wild wave of speculation broke out in this country in 1919, culminating in November, and was followed by a panicky decline. Money rates were as high as 30 per

cent in October and November, 1919, and 25 per cent in the Fall of 1920. The panic of 1920 and 1921 was due principally to "frozen loans" and decline in commodity prices. Merchants all over the country were loaded up with goods bought at high prices and banks were loaded up with loans. After the panic of 1921 a long period of prosperity followed. Call money did not get above 6 per cent at any time from 1922 until 1928, and during 1924 and 1925 call money rates were down as low as 2 per cent. 1923 and 1924 cannot be considered as panic years either in Wall Street or in the stock market. They were simply periods of reaction, or resting periods, from which the big stock boom was resumed. Business conditions steadily improved after the election of Mr. Coolidge in November, 1924. A long period of easy money and expansion in business helped to bring about the greatest bull campaign in stock market history, lasting for the longest period of time of any since the bull campaign which culminated in September, 1869, and the McKinley boom from 1898 to 1906.

1929 Wall Street Panic.—The cause of this panic was due to wild gambling not only by the people in the United States, but by people in the foreign countries. The whole world was gambling in the stocks of the United States. People were buying right and left regardless of price. Fortunes were made on paper in a short period of time. Everybody from the chambermaid to the multi-millionaire was in the stock market. People had ceased to work and were watching the stock ticker. New millionaires were being made in a short time. People had neglected their business because they thought it was easier to make money in the stock market. Never was there a time before in history where a speculative wave was more overdone than this one. Brokers' loans continued to mount until they reached over 8 billion dollars. It has been conservatively estimated that the total loans on all stocks outstanding in the United States exceeded 30 billions of dollars. At the top, when high prices were reached, the total value of all stocks traded in on the New York Stock Exchange exceeded 100 billion dollars. Bond prices started to decline in 1928 and money rates started to advance, which was the first warning that the bull

campaign was nearing its end. Call money rates were as high as 13 per cent in 1928 and went to 20 per cent in 1929. Warnings issued by the Federal Reserve Bank went unheeded. The largest number of new securities were floated in 1929 of any year in the history of the New York Stock Exchange, all of which required large amounts of money to finance. The last stage of this greatest bull market had been so rapid that a reaction, an orderly decline, or an orderly wave of liquidation was impossible. When everybody had bought to capacity and started to sell, there was no one else who wanted to buy and a collapse was inevitable. The decline was the greatest in history and the public suffered the greatest losses. However, this was a rich man's panic as well as the poor man's, and the multi-millionaire suffered along with the "lamb." Profits of 5, 10, 25, and 100 million or more were wiped out in the short period of less than 3 months. The big traders were just as unable to get out of stocks as the little fellow, because there was no one to buy the stocks that they had to sell. On September 3, the day that the market averages reached extreme high, sales were around 4½ million shares; then when the decline started on September 5, sales were around 5½ million shares. They had not been running above the 5 million share mark for some time before the market reached top. On October 4, which was the bottom of a reaction, sales were 5½ million. On the first big panic day, October 24, sales were 12,894,000 shares; on October 29, the day of the greatest panic, sales were 16,410,000; on October 28, sales were 9,112,000; on October 30, 10,727,000; on November 12 sales were 6,452,000, and on November 13, the day averages reached bottom, sales were 7,761,000 shares. After this bottom, sales did not exceed 5½ million shares until April 3, when they reached near the 6 million share mark again.

It is interesting to note the movement on averages from September 3, when the Dow-Jones 30 Industrials reached the high of 381, to October 4, the bottom of the first decline when Averages reached 325, a decline of 56 points in 30 days. A quick rally followed to 363 on October 11, up 38 points. On October 29, the Averages declined to 231,

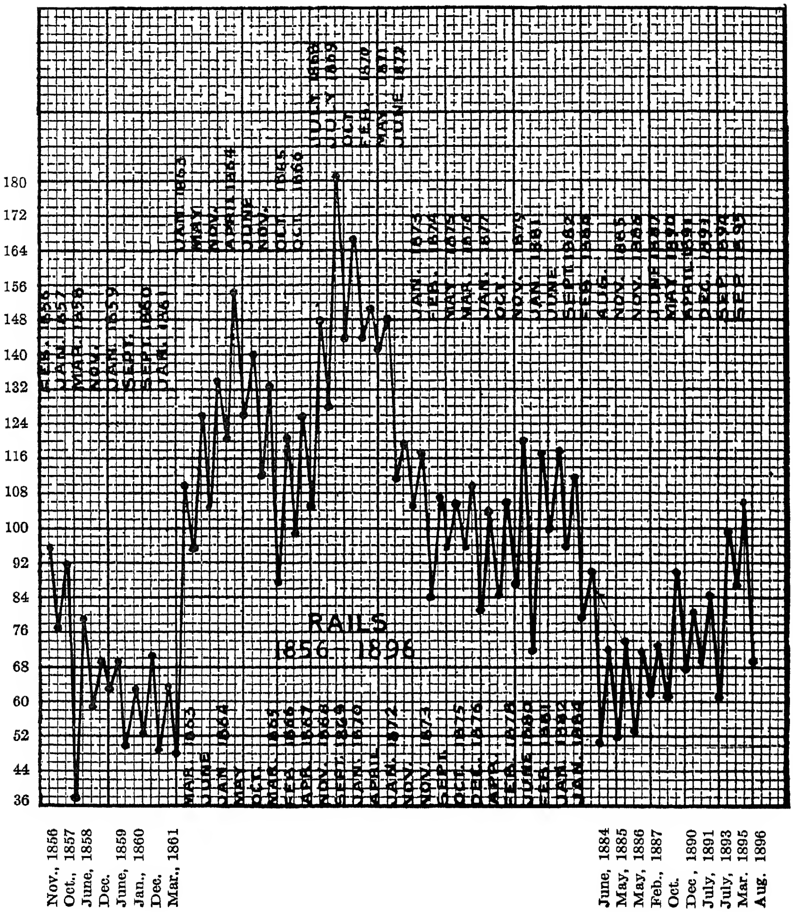
down 132 points from October 11 and 150 points from September 3; after a 2-day rally, Averages reached 273, up 42 points. On November 13 made extreme low at 199, down 74 points from October 31 and 181 points from the top of September 3. A rally followed to December 9, carrying the Averages to 263, up 64 points from the bottom. Then followed a decline to December 20, when the Averages reached 231, down 32 points from December 9. After that the reactions were small and prices worked higher from every reaction until April 17, 1930, when the Averages reached 294, up 95 points from the extreme low made on November 13, 1929.

HOW CYCLES REPEAT

The 1929 stock market panic was due largely to money conditions brought about by overextended loans and undigested securities. A study of conditions following the Civil War and a review of stock market prices will show any man that the conditions which have existed since the great World War have not been vastly different, nor has the stock market been vastly different. Before this bull market ended last August, talk was heard in every part of the country that this bull market had lasted longer than any in history and had fooled the wisest and best of men. The fact that it fooled everybody was true, but the fact that it had lasted longer than any other bull campaign was not wholly true, as the following review of past market movements will prove.

Railroad Averages.—I have made up an average on railroad stocks from 1856 to 1896 in order that you may see where prices were before the Civil War started and what happened after the Civil War. In comparing conditions before and after wars, the best barometer and guide is the stock market. Chart No. 1 on page 10 shows you the yearly high and low prices of railroad stocks from 1856 to 1896. A bull campaign culminated in 1856 when these averages reached 96. A panic followed in 1857, carrying these same averages down to a low of 37. In 1858 the high was 79 and the low 59. In 1859 the high was 70 and the low 53. In

CHART No. 1.—W. D. Gann Railroad Averages. 1856–1896.



1860 the high was 70, the same as in 1859, and the low was 54, one point higher than 1859 low. In 1861 the high was 65 and in March the lowest record was made with the price down to 48. War was declared in April, 1861, but you can see that stock market prices had discounted the war and started to advance soon afterwards. In June, 1862, the averages crossed 70, which was the high level in 1859 and 1860, and in September crossed 79, the last high which was made in 1858. The bull campaign continued and in January, 1863, the averages crossed the high level of 1856. The up trend continued to April, 1864, when top was reached at 154. A fast decline followed and in March, 1865, the low was again reached at 88, down 66 points in one year's time. In October, 1865, the averages rallied to 121. In February, 1866, declined to 100. Advanced to 125 in October, 1866, then followed a decline which culminated in April, 1867, when the low was 104. This was a higher bottom than the low of 1866. From this low another big advance started and the final high was reached in July, 1869, when the averages were top at 181, up 77 points from the low of April, 1867. The last stage of the 1869 Bull Campaign was wild and active, with an advance of about 33 points on averages in the last three months of this final grand rush.

The bull campaign which really began in March, 1861, lasted until July, 1869, subject to reactions just the same as we had in the bull campaign from 1921 to August, 1929. The bull campaign from 1861 to 1869 was 8 years and 4 months. The bull campaign from August, 1921, to August, 1929, lasted 8 years. You can see by the records previous to the Civil War and following the Civil War that the bull campaign at that time lasted slightly longer than the bull campaign from 1921 to 1929.

A decline started in August, 1869, and the real panic took place in September, and a "Black Friday" occurred on September 24, 1869. The stock Averages declined 30 points during the month of September, reaching a low of 144. In October a quick rally followed, making high of 167. This was the last high and stocks started working lower with nothing but small rallies until the panic of 1873, when the

averages sold at 84, down 97 points from the high of July, 1869. A rally followed which culminated in February, 1874, the averages reaching 107. In September, 1874, they declined to 95; rallied to 106 in May, 1875; and again declined to 95 in October, 1875. In March, 1876, the averages again rallied to 110. A decline followed to December, 1876, when the low recorded was 81, down 100 points from the high of July, 1869. After this a bull campaign followed, lasting until November, 1879, when the averages reached 119. Another decline set in, which culminated in June, 1880, with the averages down to 73. From this low level, a sharp advance followed culminating in January, 1881, with the high at 118, just one point under the high of November, 1879. In May and June, 1881, the averages made the same high level again. From this top, a long bear campaign followed to June, 1884, when the low reached was 51. In August, there was a rally to 72 and in March, May, and June, 1885, the averages reached bottom at 52, one point higher than the extreme low of the previous year. In November, 1885, the averages rallied again to 73 and in May, 1886, again declined to 53, which was the last low. From this low level, a creeping bull market started which gradually worked higher until May, 1890, when the averages reached 89. A bear campaign followed which resulted in the panic of 1893, the bottom being reached in July with the averages down to 61. This same low was again recorded in December, 1893. An advance followed which culminated in September, 1895, with the averages at 106. From this top the Bryan Silver panic, which culminated in 1896, followed. On August 8, 1896, stocks reached the lowest level which they had recorded since the Civil War, or the lowest since July, 1869, when top was made after the Civil War. In 1896 many stocks went into the hands of receivers. Stocks like New York Central, which made high in 1869, continued to work lower until bottom was reached in 1896.

From 1896 to date the Dow-Jones Averages on Railroad and Industrial stocks are the most reliable guides to the trend of the market. These Averages were reviewed in TRUTH OF THE STOCK TAPE from 1896 to 1922.

In 1928 when they crossed the high level of 1906, which was the highest price in history, you should then have looked up the high prices of the individual stocks which made up this group of averages and noted the ones that had crossed the high level of 1906. For example: Atchison, New York Central, and Union Pacific, which crossed the 1906 tops, were among the rails which made the biggest advances, while St. Paul and other stocks, which did not reach this level, advanced very little compared to the advances in Atchison, New York Central and Union Pacific.

It is well for traders to know these things and to know that what has happened in the past can happen again. You should never hold on and hope. When you see that you are wrong, place a stop loss order or get out and take a quick loss. Hundreds of thousands of people were fooled in the bull market which culminated in 1929 and hundreds of thousands will be fooled before many stocks which were top in 1929 will reach bottom. The only way to protect yourself against heavy losses is to get out before it is too late. Stubbornness will not help in the stock market. In fact, nothing helps you when you are wrong, except to get out and wait for another opportunity or to get right on some other stock.

SECTIONS OF A BULL CAMPAIGN

A bull market, as a rule, moves in sections or waves. The campaign from 1921 to 1929 moved in sections as follows: The bottom for the Dow-Jones 20 Industrial Stock Averages was reached in August, 1921, and the move started up. The first section of the bull campaign culminated in March, 1923. Then there was a reaction or a small bear campaign. Some stocks made bottom in May, 1924, and others made bottom in October, 1924. From this reaction in a bull market, the second section of the bull campaign started and the advance continued until November, 1925, but this was only a reaction in a bull market. The bull campaign was resumed and the third section of the advance lasted from April to August, 1926; then there was a two months' reaction to October, 1926, from which the upswing

was again resumed. In October, 1927, top was made for another quick, sharp reaction, but it only lasted for one month. However, many stocks rested and reacted until February, 1928, when they started up again and there was a fast advance culminating in January and February, 1929. This can be considered the end of the third section of the bull campaign. A panicky decline followed in March and low levels were reached on March 26, 1929. Stocks held in a narrow, trading range or accumulated for about two months. The fourth or last section of the bull campaign started in May, 1929. This was the final grand rush. Many stocks made the biggest advance of any time in history in the same period of time. From May until September 3, 1929, the Averages of the Dow-Jones 30 Industrial stocks went up 90 points. From the culmination of this bull campaign, which was made with only a few active, high-priced stocks, in which big traders were operating, a great deluge followed and in a little over two months' time, the Averages declined 182 points, the biggest decline in history with the greatest losses to the public and pool operators that had ever been recorded. The total loss in quoted values was over 40 billion dollars.

Industrial Averages.—This group of Dow-Jones Averages was reviewed from 1896 to 1922 and a monthly and a yearly high and low chart shown in TRUTH OF THE STOCK TAPE. The high in October, 1922, was 103 and the low in November, 1922, was 92. From this low level an advance followed which culminated in March, 1923, when the Averages reached 105, only 2 points above the 1922 high and still 4 points under the 1920 high, which level they would have to cross to indicate higher prices. A decline followed and in October, 1923, the Averages reached a low of 86. Around this level there was big accumulation, holding in a range from 86 to 88 for 5 months. A rally followed and in January and February, 1924, reached a high of 100. Then declined to May, 1924, making a low of 88½, where the Averages held for 3 months, making the same low level each month. This was 2 points above the 1923 low level, which showed good support and indicated that stocks were going higher. August, 1924, high

105, same high as March, 1923. A moderate reaction followed to October, 1924, when the low reached was 100. There was a rally at the end of this month and the Averages closed at 104 and in November opened at 104 and quickly crossed 105, the highest level for over 2 years, a sure indication for much higher prices. At this time you should have selected the stocks in the strongest position in this group and should have bought them to hold for the long pull. After the election of Mr. Coolidge in November, 1924, stocks started to advance rapidly and before the end of November the Averages had crossed 109, the high of 1920, another good sign for much higher prices. The next high point was 120, the high of 1919, which was the highest in history. This level was crossed in December, 1924, another good indication of a big advance to follow. March, 1925, high 125; a quick decline followed and late in March the low reached was 115. Here there was good support and prices started to move up again. In May the Averages crossed the March high of 125 and each month the bottoms and tops were higher until February, 1926, when the Averages reached a high of 162. This was a sharp top, and a sharp, quick decline followed in March when there was really a panicky break, many of the active stocks declining 75 to 100 points. The low on the Averages was 135. This was only one month's reaction, the same as March, 1925. The market held in a dull, narrow range for about 2 months while accumulation was taking place and in June the main trend turned up again. August, 1926, the averages reached a high of 166, just 4 points above the January, 1926, high, but an indication that they were going higher later. A quick decline followed lasting nearly 2 months, getting down to a low of 146 in October, 1926. The advance was resumed, big accumulation showing in the active leaders, and in May, 1927, the Averages crossed 166, another indication for much higher prices and in October reached a high of 199. Good selling always appears around the even figures, like 100, 200 and 300. A decline quickly followed and before the end of the month the Averages had declined to 179. But a rapid advance followed this break. In January, 1928, the Averages crossed 200. Getting above the even

figure was a sure sign for much higher prices. They made 203; then had a small reaction in February, making a low of 192, and in March a rapid advance started and prices crossed 203. Top was reached in May and June, 1928, when the price was 220. A quick decline followed to 202 in June. The Averages failing to break the even figure of 200 showed good support and indicated higher prices. There was a big accumulation in July and in August a wild, runaway market started and continued until February, 1929, when the Averages made a high of 222. A decline followed in March and the Averages reached 196. Then followed a sharp, quick advance and in April the Averages made a new high at 227. A decline started in the early part of May from a sharp top and there was a sharp decline down to a low of 194 in the latter part of May, holding just 2 points under the low of March, 1929, a good indication of bottom. In June a rapid advance started with public utilities and late movers leading this advance. The Averages continued to work higher each month, making higher bottoms and higher tops until September 3, 1929, when the final top was reached with the Averages at 381, the highest price in history. This was a sharp top made on heavy volume of sales in most of the active stocks. A quick, sharp decline followed. September 5, low 370, followed by a quick rally on September 7 to a high of 377, making a lower top; September 9 declined to 367, a sign of weakness and an indication for much lower prices; September 11 a quick rally to 371; September 12 a low of 366½, another sign of weakness; September 16 rallied to 372, failing to get much above the last high level; September 19 broke 366, a sign that the big decline was on; October 4 reached a low of 326; a sharp rally followed to October 11, when top was made at 362, making lower top than the previous one. From this top a panicky decline took place and on October 29 the low reached was 231. A fast rally, lasting only 2 days, followed to October 31, making a high of 273. Liquidation broke out again and a sharp decline followed, reaching final bottom November 13, when the averages made a low of 199, down 182 points from the high of September 3, 1929. This was the fastest decline ever re-

corded, and will go down in history as Wall Street's greatest panic. A rapid recovery followed to December 9 when the high was 263. Then followed a decline to December 20, reaching a low of 231. Note that the low for the Averages on October 29 and on December 20, were at the same level, being 32 points higher than the extreme low made in November, 1929. This was a sign for higher prices later. From this bottom a slow advance followed with only small reactions. On February 5 and 14, 1930, the Averages made temporary top at 272; then declined to February 24, making a low of 263. The advance was resumed and on April 17, reached a high of 294.

The Dow-Jones 30 Industrial Averages are a good guide to the trend of the active stocks in this list, but remember that you must study the individual stocks and see if they conform to the change in trend of the Averages. If a stock shows opposite trend, play it that way. Watch the Averages when they get dull and narrow and see if the volume is very small at the bottom or the top, which is a sign for a change. Then watch when the market is very active at bottom and top and see if the volume increases right along. As soon as the volume begins to show a decrease, then look for a change in trend and a reverse move to follow.

CHAPTER II

TWENTY-FOUR NEVER-FAILING RULES

In order to make a success trading in the stock market, the trader must have definite rules and follow them. The rules given below are based upon my personal experience and anyone who follows them will make a success.

1. Amount of capital to use: Divide your capital into 10 equal parts and never risk more than one-tenth of your capital on any one trade.
2. Use stop loss orders. Always protect a trade when you make it with a stop loss order 3 to 5 points away.
3. Never overtrade. This would be violating your capital rule.
4. Never let a profit run into a loss. After you once have a profit of 3 points or more, raise your stop loss order so that you will have no loss of capital.
5. Do not buck the trend. Never buy or sell if you are not sure of the trend according to your charts.
6. When in doubt, get out, and don't get in when in doubt.
7. Trade only in active stocks. Keep out of slow, dead ones.
8. Equal distribution of risk. Trade in 4 or 5 stocks, if possible. Avoid tying up all your capital in any one stock.
9. Never limit your orders or fix a buying or selling price. Trade at the market.
10. Don't close your trades without a good reason. Follow up with a stop loss order to protect your profits.
11. Accumulate a surplus. After you have made a series of successful trades, put some money into surplus account to be used only in emergency or in times of panic.
12. Never buy just to get a dividend.
13. Never average a loss. This is one of the worst mistakes a trader can make.
14. Never get out of the market just because you have lost patience or get into the market because you are anxious from waiting.
15. Avoid taking small profits and big losses.
16. Never cancel a stop loss order after you have placed it at the time you make a trade.
17. Avoid getting in and out of the market too often.
18. Be just as willing to sell short as you are to buy. Let your object be to keep with the trend and make money.
19. Never buy just because the price of a stock is low or sell short just because the price is high.

20. Be careful about pyramiding at the wrong time. Wait until the stock is very active and has crossed Resistance Levels before buying more and until it has broken out of the zone of distribution before selling more.
21. Select the stocks with small volume of shares outstanding to pyramid on the buying side and the ones with the largest volume of stock outstanding to sell short.
22. Never hedge. If you are long of one stock and it starts to go down, do not sell another stock short to hedge it. Get out at the market; take your loss and wait for another opportunity.
23. Never change your position in the market without a good reason. When you make a trade, let it be for some good reason or according to some definite plan; then do not get out without a definite indication of a change in trend.
24. Avoid increasing your trading after a long period of success or a period of profitable trades.

When you decide to make a trade be sure that you are not violating any of these 24 rules which are vital and important to your success. When you close a trade with a loss, go over these rules and see which rule you have violated; then do not make the same mistake the second time. Experience and investigation will convince you of the value of these rules, and observation and study will lead you to a correct and practical theory for success in Wall Street.

SAFETY OF CAPITAL

Your first thought must be how to protect your capital and make your trading as safe as possible. There is one safe, sure rule, and the man who will follow it and never deviate from it will always keep his money and come out ahead at the end of every year. This rule is divide your capital into 10 equal parts and never risk more than one-tenth or 10 per cent of your capital on any one trade. If you start with $1000 you should not risk more than $100 on your first trade, and the way to limit your loss is to place a stop loss order. It is much better to have 10 shares of stock and lose 3 points or $30 than to have 100 shares and lose $300. You can always find new opportunities to make profits, so long as you have capital to operate with. Taking heavy risks in the beginning endangers your capital and impairs your judgment. Trade in such a way that you will not be disturbed mentally by a loss, if it comes.

STOP LOSS ORDERS

I feel that I cannot repeat too many times the value of using stop loss orders because it is the only safety valve to protect the investor and trader. An investor or trader will place a stop loss order and one time out of ten the stop will be caught at the exact top or bottom. After this he always remembers that and says, "If I place a stop loss order, they will just go down and catch it, or just go up and catch it and then the market will go the other way." So he does not use the stop loss order the next time. His broker often tells him that stop loss orders are always caught. The trader forgets that nine times out of ten the stop loss order was right and would have prevented big losses by getting him out at a time when the market was going against him. The one time that the stop loss order gets you out wrong it makes up for it in the next nine times that it gets you out right. So don't fail to use a stop loss order.

CHANGING YOUR MIND

A wise man changes his mind; a fool never. A wise man investigates and then decides, and a fool just decides. In Wall Street, the man who does not change his mind will soon have no change to mind. When once you have made up your mind to make a trade and you have a reason for it, do not change without a reason. The most important thing that I refer to is changing stop loss orders, or cancelling stops when the market is going against you. The first thing to do when you make a trade is to place a stop loss order, which is for your own protection. Once you have placed a stop, you have acted wisely and used good judgment. To change your mind from this decision is foolish and to cancel your stop, once you have placed it, is not based on good judgment but on hope, and hope can lead to nothing but losses in Wall Street. Nine times out of ten, when once you place a stop loss order, if you never cancel it, it will prove to be the best thing that ever happened, and the man who adheres to this rule will make a success. I reiterate, if you cannot follow a rule, do not

start to speculate because you will lose all, and one of the rules that you must follow and never deviate from is to PLACE A STOP LOSS ORDER AT THE TIME YOU MAKE A TRADE AND DO NOT CANCEL IT.

OVERTRADING

History repeats because of the weakness of human nature. The greed for quick fortunes has cost the public countless millions of dollars. Every experienced stock trader knows that overtrading is his greatest weakness, but he continues to allow this weakness to be his ruin. There must be a cure for this greatest weakness in trading, and that cure is STOP LOSS ORDERS. The weakest point must be overcome, and the stop loss order is the cure for overtrading.

PROTECT YOUR PROFITS

It is just as important to protect profits as it is to protect your capital. When once you have a profit on a trade, you should never let it run into a loss. There are exceptions to this rule, and the amount of the profits should determine where stop loss orders should be placed. The following is about the safest rule that I can give you to use under average conditions. When once a stock has moved 3 points in your favor, place a stop loss order where you will be even if it is caught. In very active, high-priced stocks, it will pay you to wait until a stock shows a profit of 4 to 5 points; then move your stop loss order up to where you will have no loss should the market reverse. In this way, you will have reduced your risk to a minimum and the possibility of profits will be unlimited. As the stock moves in your favor, continue to follow up with a stop loss order, thus protecting and increasing your profits.

WHEN TO ENTER THE MARKET

It is very important to know when to buy or sell, and you must have some rule or some sign as your indication for the time to place your order to buy or sell. When you

think the market is reaching bottom or top, you will find that 7 times out of 10 you will be wrong. It is not what the market does today or what you think it is going to do that is important; it is exactly what the indications are that it will do at a later date when you expect to make profits.

When a stock reaches low levels or high levels and you want to take a position, wait until it shows a sign that the trend has turned up or down. At times, you may miss the bottom or top by waiting, but you will save money by not making your trade until you have reason to believe that you are going with the trend and not against it.

One of the most important things that you should keep in mind is not how much profit or how much loss you are going to make. You should leave the money part out of the question. Your object should be to keep right on the market. Go with the trend of the market. Study all the time to determine the correct trend. Do not think about profits. If you are right on the market, the profits will come. If you are wrong, then use the old reliable protector, a stop loss order.

BUYING OR SELLING TOO SOON OR TOO LATE

Investors often get out of the market too soon, because they have held stocks for a long time, waiting for activity and higher prices, and then sell out on the first move up into new territory, which is a mistake. See Swing Charts on Atchison, American Tel. & Tel. and New York Central on page 113.

There is another type of investor who always gets out of the market too late, because when the big advance comes, he holds on and hopes that the stock will go higher than it ever does. It never reaches the price at which he wishes to sell. The first quick break comes, and he decides that if the stock advances again to its former high level, he will sell out. The stock does advance but fails to get as high, then declines still lower, and he again fixes a price in his mind at which he will sell, but this is only a "hope" price, and he sees the stock drift lower and lower until finally, in disgust, he sells out after the stock has had a big decline from

the top. It is always well to wait until you can see a change in the trend before selling out, but when once you do see that the trend has changed, then sell out without delay. A good rule for this kind of a trader is to follow up with stop loss orders, even if it is 10 to 20 points away.

DELAYS DANGEROUS

Action, not delay, makes money in Wall Street. There is no use hoping, as that will not beat the game. Men who gamble on hope always go broke. You must stop hoping and start thinking. Then, after you think, unless you act at the proper time, good thinking is useless. Knowing when to act and not doing it will not help any. Delays are always dangerous. The longer you hope and delay taking action in the market, the worse your judgment gets and the surer you are to make mistakes. Stagnation is death and destruction. Action is life. Being right or wrong and not acting will never save your money or help you to make it. Remember, delays are always dangerous. It is much better to take action now than to trust to uncertain time. You should never trade when sick or depressed. Your judgment is always bad when you are below normal physically. One of the rules of a successful speculator should be to keep good health, for health is wealth.

WHEN TO PYRAMID

There are two ways of pyramiding. One is to buy more or sell more just as soon as the market breaks into new territory or makes a new high or a new low. In a fast running market, you can continue to buy or sell every 3, 5 or 10 points up or down when the market is moving in your favor, all depending on the stock or your method of pyramiding. My method is to determine the reaction levels and how many points a stock has reacted from temporary top levels or rallied from temporary bottoms. Find out whether these reactions are running 3, 5, 7, 10, or 12 points; then buy or sell your 1st, 2nd, 3rd, or 4th lot for pyramiding on reactions from the top, waiting for 3, 5, or 10 points

according to the past reaction. Reverse the rule in a bear market. If you had followed this rule on General Motors from 1924 to 1929, you would find that your pyramid would have been safer than buying or selling the stock every so many points apart.

My time rule, which will help you in pyramiding, is to determine the time of the first important reaction. For example, General Motors reacted only 3 weeks from the time it started up in 1924 and was good to buy every time it reacted 2 to 3 weeks from any top, until it made the final top and the main trend turned down. Determining the time of the reactions and measuring them this way will greatly increase your profits and enable you to follow the main trend of the stock, sometimes for several years, and you can often make 100 to 200 points profit. This time rule, like other rules, works best on active high-priced stocks and should only be applied in active markets.

A pyramid should always be followed up with a stop loss order, no matter what method you use, because your profits must be protected. The more profit you have, the more room you can give the market to fluctuate, or have its reverse moves or reactions, that is, you can place your stop loss order further away from the market so that a natural reaction will not disturb your pyramid. For example, suppose you have followed a stock up and have 100 points profit on your original purchase. If the stock has had a previous reaction of 20 points, it could again react 20 points without changing the main trend, therefore your stop loss order could be 20 points under the market, because if it was caught, you would not be losing part of your capital, but only a part of your paper profits, while in the early stages of your pyramid your stop loss order would have to be closer in order to protect your original capital.

HOW MUCH PROFIT TO EXPECT

Most traders expect too large profits from the business of speculation. They do not stop to figure what a gain of 25 per cent a year means over a period of 10 to 20 years. Starting with $1000 a gain of 25 per cent per year for 10

years equals $9,313.25. $10,000 increased at the rate of 25 per cent a year amounts to $93,132.70 in 10 years. You can see how easy it is to accumulate a fortune in a reasonable length of time if one only is conservative and does not expect too much. Many traders come to Wall Street with the idea that they can double their money in a week or a month. It cannot be done. There are exceptional opportunities at times, when a large amount of money can be made in one day, one week, or one month, but these big opportunities are few and far between, and when once you have one of them and make big profits, do not let hope run away with your judgment and expect to continue to make profits right along on such an enormous scale. Remember that the market makes normal moves most of the time and that you must take normal profits the greater part of the time. Many traders buy or sell a stock without any thought of how much profit there is a possibility of them making and never think about the possibility of a loss. This should be one of your rules: Never buy or sell a stock when you don't think you can make more than 3 to 5 points' profit unless you use a stop loss order of only 1 to 2 points. It does not pay, on an average, to risk 3 to 5 points' loss for a possible gain of 3 to 5 points. Try to make a trade where you have opportunities, or at least where there is a promise of greater profits than losses. There is no use getting into a stock when you think there is only a chance of making 3 to 5 points, because you can be wrong and lose that much or more. It is better to wait until stocks cross Resistance Levels one way or the other and get in where the opportunities are for greater profits and longer swings. Scalpers do not make money; they simply get scalped. Remember that to make a success your profits must always be greater than your losses, and your rule must be to cut losses short and let your profits run.

HOW TO ANSWER A MARGIN CALL

When you make a trade and put up the required margin at the time and later the stock goes against you and the broker calls for more margin, the thing to do in most cases is not to put up more margin, but sell out at the market or

buy in in case you are short. If you put up more margin, let it be on a new trade and one which you have a good reason for making when your judgment is better. Nine times out of ten after a customer puts up margin the first time, he will hold on until there is a second margin call and a third and put up as long as he has money to put up and lose all of his capital on one trade. If the broker has to call you for margin, there is something wrong, and the best thing to do is to get out.

JOINT ACCOUNTS

Never have a joint account or trade in partnership with others if you can possibly avoid it. When two men have an account together, they may agree upon the right time to buy for long account or the right time to sell short and may be exactly right when they agree to make the trade, but here is where the hitch comes—when it comes to closing the trade they will seldom ever agree on the time and price to take profits. The result will be that they will make a mistake in getting out of the trade. One man will hold on because the other one does not want to get out and finally the market reverses and the trade goes against them; then they hold on and hope, and finally take a loss on what was a trade that they started together profitably. It is hard for one mind to work on the stock market and keep right, but it is much harder for two to agree and work in the market. The only way that two could make a success with it would be for one to do the buying and selling and the other to do nothing but place the stop loss orders. Stop loss orders will protect both of them when they make mistakes. It is a bad rule for a man and his wife to have a joint account together. The action of getting in and out of the market should be up to one man, who should learn to act and act quickly and not be influenced by a partner in a speculative deal.

WHAT TRADERS DON'T WANT TO KNOW

The average trader does not want to hear a painful truth. They want something in accordance with what they

hope for. When they buy a stock they believe all the news, rumors, views and lies that are bullish, but just let some report come out that is bad or let someone tell him something unfavorable about the stock he has bought and he refuses to believe it. It is the truth that will help him and truth that he should want to hear, not something that will build up his hopes and cause him losses later. A trader after he has made a mistake, says "I am going to do different next time," but he doesn't and that is why we always have old lambs in Wall Street to lead the young lambs down the same lane to losses that the old lambs have followed. Real inside truth about losses in Wall Street is seldom ever told. Traders, big and little, always talk about their profits and brag about their successful trades, but keep quiet about their losses. Therefore, the innocent lamb, when he comes to Wall Street, is led to believe that there is nothing but profits to be made, instead of hearing the other side of the story of how losses are made in Wall Street, which is a thing that would really help him and prevent him from making the same mistake. The new lamb should know that failing to place a stop loss order and overtrading have been the cause of over 90 per cent of the failures in Wall Street. Therefore, in order to make a success he must act in a way to overcome the weak points which have caused the ruin of others.

HUMAN ELEMENT THE GREATEST WEAKNESS

When a trader makes a profit, he gives himself credit and feels that his judgment is good and that he did it all himself. When he makes losses, he takes a different attitude and seldom ever blames himself or tries to find the cause with himself for the losses. He finds excuses; reasons with himself that the unexpected happened, and that if he had not listened to some one else's advice, he would have made a profit. He finds a lot of ifs, ands, and buts, which he imagines were no fault of his. This is why he makes mistakes and losses the second time.

The investor and trader must work out his own salvation and blame himself and no one else for his losses, for

unless he does, he will never be able to correct his weaknesses. After all, it is your own acts that cause your losses, because you did the buying and the selling. You must look for the trouble within and correct it. Then you will make a success, and not before.

One of the main reasons why traders make losses is because they do not think for themselves and allow others to think for them and advise them, whose advice and judgment is no better than their own. To make a success, you must study and investigate for yourself. Unless you change from a "lamb" to a thinker and seek knowledge, you will go the way of all lambs,—to slaughter under the margin caller's axe. Others can only help you when you help yourself, or show you how to help yourself.

I can give you the best rules in the world and the best methods for determining the position of a stock, and then you can lose money on account of the human element which is your greatest weakness. You will fail to follow rules. You will work on hope or fear instead of facts. You will delay. You will become impatient. You will act too quickly or you will delay too long in acting, thus cheating yourself on account of your human weakness and then blaming it on the market. Always remember that it is your mistake that causes losses and not the action of the market or the manipulators. Therefore, strive to follow rules, or keep out of speculation for you are doomed to failure.

CHAPTER III

WALL STREET EDUCATION

WHY IT IS HARDER TO BEAT THE STOCK MARKET NOW

Every year it gets more difficult for the average trader to make money in the stock market, because the number of stocks increases. There are about 1500 stocks listed on the New York Stock Exchange. Opposite moves are more numerous than ever before. Stocks in the same group will move in opposite directions. One stock in a group declining or advancing in opposition to the general trend will cause a trader to become confused and make mistakes.

When the number of active stocks listed was very small and most of them contained in the Dow-Jones Industrials and Rails, these Averages were a reliable guide. Then stocks were in the hands of a few large holders, and manipulators moved these groups of stocks most all at the same time. The large number of stocks now listed on the Stock Exchange compose so many different groups that in order to get a reliable guide on averages, one has to have the averages of the different groups, such as, oils, rubbers, steels, manufacturing stocks, etc. You must not give too much weight to the averages, but should determine the position of each individual stock which composes these averages. You will find some stocks in a very weak position and showing down trend and at the same time other stocks in the group in a very strong position, as we will show under the analyses of stocks in the different groups.

The law of averages works when applied to life insurance. The actuary can figure the lives of 1000 men at various ages and tell on an average how many of them will die each year, but the actuary cannot figure on one individual and tell

when he will die from the position of the average because of the fact that men born at different times are grouped under the same average. Stock averages are also made up of stocks from companies which are 5, 10, 20, 30, 50, and 100 years old. With such a wide difference in the time of the incorporation, and with the industries located in different parts of the country and influenced by local as well as other conditions, it is only natural that some of them must go opposite to the trend of the average group.

For example: Take the oil industry and the group of oil stocks which make up the averages. The companies which compose these averages were formed at different times, managed by different men, their offices located in different parts of the country and subject to the various conditions. Therefore, in order to get a reliable Forecast, each company and its stock must be analyzed separately, judged and forecast individually and not collectively. An example of this was the time when Houston Oil had a big advance at the same time other oil stocks were declining. There was a very small supply of Houston Oil and its position was different and it was easy to put it up against the trend of the general list.

In order to make a success trading in stocks under present conditions, a trader must study each individual stock and follow it according to its own trend, regardless of the action of the stocks in the same group or the action of the general market or any other single stock or group of stocks. With the weakness of human nature, this is hard to do and makes it all the more necessary for a trader to have fixed rules and strictly adhere to them, and the one rule that he must always use is to place a stop loss order.

This country has grown so large and is doing business with so many of the foreign countries that changed conditions and events, favorable or unfavorable, happening in foreign countries, affect our markets and make it harder for the trader who just guesses, follows tips or inside information. The truth is that he simply cannot beat the market this way.

This country has changed from an agricultural to a manufacturing nation. There was a time when railroad

stocks followed the crops. If the crops were good, railroad stocks would advance. Short crops would cause a decline. When the railroads no longer had to depend upon crops for their tonnage but received a large part of their business from the manufacturing concerns, then the man who used crops as an indicator for rails found his guide unreliable.

Conditions now change rapidly in this country. The modes of transportation from Fulton's steamboat to the railroad were a long way apart, but from the beginning of the use of automobiles for pleasure and commercial purposes to the use of the airplane was a much shorter period of time. The automobile changed conditions for the railroads, and now the airplane will change conditions for the automobile industry as well as railroads. This is plainly shown by the fact that large automobile concerns are all trying to get into the business of manufacturing airplanes, because it is the coming mode of transportation and the companies that continue to manufacture automobiles alone will find their business and earnings decreasing in the years to come.

To make a success, you must keep ahead of the times and not behind them. You must watch for the best stocks in the new industries. Do not hold on to old stocks and hope for them to come back. When they start on the downward trend, sell them short, just as the man should have played the short side of railroad stocks from 1909 to 1917, and then, when the change came in 1921 and railroad stocks showed up trend, he could have made money buying them. The industrial stocks have shown greater opportunities and bigger profits than the rails, in most cases, during the period of the world's greatest bull market.

AGE AT WHICH A MAN CAN TAKE SPECULATIVE RISKS

From the time a man is 20 years old on up to 50, he has to take certain chances in order to make large amounts of money, but these chances or risks must be based on sound judgment or some science in selecting the stocks to make investments or speculative purchases. By the time a man

reaches the age of 50 he should be independent. If he has followed any rules for success in speculation or investments, he should be in a position where it is not necessary to take risks or heavy chances. If he is not in this position, he should not take chances anyway because the average proves that after a man reaches 50 and loses his money or goes broke in business, he seldom comes back again. If he is a failure in Wall Street at 50, he had better quit. If he is a success at that age, he does not have to worry and should take it easy in the future. It is a human weakness and only natural to risk part of the money which is left after big losses in order to get back the money lost. This is a great mistake that many men make who speculate or go into business ventures after the age of 50. Of course, there are exceptions to all rules. Some men make a success after 60, a few after 70, but we are speaking of the average.

To make a success in speculation or in business, around the age of 20 a man should begin to study a business or the stock market and gain knowledge and experience. If he puts in 10 years of study up to 30, he will be at that time prepared to make a success in speculation during the next 10 or 20 years, but if he quits studying at 30 after he thinks he knows enough to make a success, he will be a failure at some time during the next 20 years. He must continue to study changed conditions in the market and the position of new stocks as well as old stocks and not let changed conditions fool him at a different period in the age of a stock. He must not put new wine in old bottles, or, in other words, use his old yardstick for measuring stocks in a different cycle or a different period as many traders did in the bull campaign from 1921 to 1929, especially during the section from 1924 to 1929 when traders thought that the bull campaign had lasted as long as it should compared with previous bull campaigns and made the mistake of going short too soon or selling out longs too soon.

Every man must get his stock market education and must remember that one never graduates from the Wall Street school. You must take post-graduate courses every year to keep up with the times; in fact, keep ahead of the times, in order to make a success in Wall Street.

CAN A MAN LOSE $100,000,000?

The general public has the idea that after a man has one million dollars or more, he cannot lose it. In other words, he is a big fellow and can force the market to go his way. We only have to refer to the case of J. O. Armour who lost over $300,000,000. At the end of the great World War, Armour, the packing king, possessed a fortune of about $300,000,000. Changed conditions, brought about by the war, caused his fortune to start slipping away. When he saw a loss of $20,000,000 he refused to accept it but fought with the other $280,000,000 to save the $20,000,000. The market continued to go against him, and business got worse instead of better. He continued to buck the trend until his entire fortune was wiped out, his health gone, and he died hopelessly bankrupt. Certainly, he made his fight for the love of money, because he had no use for this amount of money, but once he had it. he gave his health and all he had trying to keep it.

W. C. Durant, who was reputed to be worth $120,000,000 at the height of the bull campaign in 1919, lost it all, and his holdings of General Motors were taken over by the Morgans and du Ponts below the market. There are numbers of instances of men who made anywhere from 5 to 50 million dollars and then lost it all. Daniel Drew was worth about 13 million dollars, according to his own statement, and then lost it all and died broke. Thomas W. Lawson was worth anywhere from 30 to 50 million dollars. He lost it all and died practically penniless. Daniel J. Sully, Eugene Scales, Jesse Livermore, and many others have lost 5 million or more.

In the 1929 panic big traders lost 10, 25, 50, 75, and 100 million and some are reported to have lost 200 to 300 millions in 90 days. If these men can lose millions or hundreds of millions, certainly you have no better chance than they have. When a man with 100 million dollars gets wrong, he can lose it just as easily as a man can lose $100 when he is wrong and much faster. A man with $100 can get out but the man with $100,000,000 cannot. Perhaps you would like to ask why a man with 5, 10, or 100 million

dollars loses it all. It is because he does not use the same judgment that he used in making it. It is one thing to make money and another thing to keep it. A man's life runs in cycles just the same as stocks. He reaches his apex and does not know it. His time for money making ends, and he should keep what he has already made, rather than try to make more. There is a seasonal trend and a mathematical, scientific cycle which determines the time and limits to which a man can go and when he bucks the law and the tide turns against him, he is carried down by the undertow. The most *important thing* for every man *to know* is *when to quit.* After a man has made money, he must know when he has enough, stop and keep what he has.

Shrewd traders often make the mistake of following a leader who has been successful. They follow him when he is on the down trend and when his judgment is no better, in fact, not as good as their own. Thousands of people who had followed Durant from 1915 to 1919, when he was right and made millions of dollars, continued to follow him during 1920 and 1921, when he was wrong, and lost everything they had made, and more too. How could they have prevented these losses? By using some method of their own which would determine when the trend of motor stocks had turned down; then stop buying, sell out longs and go short.

Any man who followed my rules for reading charts could see from the position of General Motors and other motor stocks that the trend had turned down in the latter part of 1919 and continued down during 1920 and 1921. Then why should they have followed Durant when he was wrong and lost all of his money? Never pin your faith to any one leader and stick too long. The lone hunter or fisherman is the man who bags the game. When there are too many followers, they help to defeat the purpose of the leader. The big men are just as often wrong as the little fellow, but most of them are smart enough to change quickly when they find they are wrong and do not hold on and hope, as the public does.

WHEN A MAN'S TREND CHANGES

Man's seasonal trend changes just as the market and he has his good and bad cycles. By keeping a record of your own trades, you can determine when your trend is changing one way or the other. I have been able to make as many as 200 consecutive trades without a loss. When I started the campaign, I did not believe I could make 50 trades without a loss, but I did continue to make perfect trades and close every trade with a profit, until I had made 200 trades. This run of luck or up trend that I was in, had run for some time. If I had no way to forecast it, what sign should I watch to tell when the tide had turned against me and I should get out and wait? The first indication that something was wrong would be the first trade on which I made a loss. I remember that it was a small loss, around $100. On the next trade I had a loss of over $500. This showed that my trend was changing and turning against me, whether due to bad judgment, ill health, tired nerves, or other causes. If I had been wise, I would have quit and kept all of my profits. I made the third trade and as most traders do, went into the market on a larger scale. This trade soon showed a loss of $5,000 and I did not take the loss quickly. The result was that I continued to make a series of losses until the banks closed in November, 1907, and I could not get any more money out of the banks. I was forced to close out all of my commitments with my brokers and take a big loss, because I was bucking my own trend. My period of good luck had run out, and I was trading in a period which should have been for rest, recreation, and gaining knowledge instead of trying to make more money which I did not need. The banks were unable to pay currency for several months, and I could not get any money to speculate with. I put in my time studying and figuring on the market and found out what caused my mistake and the losses.

I started trading again in the Spring of 1908, and should have had some rule to tell me when my trend had turned in my favor. I began to trade in Wheat and the first three trades I made showed profits. This was a sign that luck was with me and I should press it. I then started a cam-

paign buying Cotton and followed the market right on up, pyramiding at the same time that Livermore made his first successful corner in July Cotton. I made a large amount of money.

I could give you many more examples of my experiences of profits and losses but one rule that every trader should watch and follow is, just as soon as he makes two or three wrong trades after a long series of profits, he should quit the market and take a rest. Get away from the market. Allow plenty of time for his judgment to clear up. Then, when he thinks he is right again, make a start on a small trade. If the first trade goes against him, he should quit again and stay away. Then, when he starts again, if his first two or three trades show profits, he can press his luck and expect a period of success until he sees another sign that the tide has turned against him, when he must again get out of the market.

I have always made the biggest profits after I have remained out of the market for a long period of time and have always made the biggest losses after I have been in a campaign in the market for a long period of time. No man can trade heavily in the market without having a strain on his nervous system, and when his nerves begin to give way and his health is below normal, his judgment gets bad and he begins to make losses. There is no use staying in, holding on and hoping, when things start going against you. Take your loss quickly and get out. You will make money by staying out of the market and waiting for an opportunity when the market is right, your physical condition good and your mind at its best. To beat the stock market is a battle of wits. Your mind must be active, keen and alert. You must be able to change your mind and act quickly. When you find that your mind gets sluggish and you cannot act quickly, you are in no position to be in the market. I have been connected with brokerage offices and have known the position of a large number of traders. I have seen the market go against them for days and weeks. Gradually they would start getting out, but a few would be very stubborn and hold on. I call it stubbornness; they

called it nerve, but it is not nerve which makes a man hold on when the market is going against him. It is hope and stubbornness. Nerve will not outlast a market that is going against you, and even if the nerve does last, your money will not last to continue to buck the trend. Traders usually talk with each other in the boardroom. When all but two or three have gotten out with losses, they will talk with each other and say they are going to put up more margin, stick it out until the turn comes. Finally, there is one left, and he will say that he is not going to sell out on the bottom but will see it through. Finally, his hope gives way to despair and he puts in an order to sell at a price on a rally. The market fails to reach his selling price. Then he changes the price for several days and misses it, and the market continues to go lower. Finally, he gives an order to sell out at the market. That was my signal to buy. I would then buy at the market and invariably made profits. This shows that the *trader nearly always does the wrong thing* at *the wrong time* after he has held on for a long period of time. This proves that the man who has health, money, nerve and knowledge and stays out of the market until the psychological moment can always make big profits.

Some man who has made and lost a lot of money betting on the races wrote the following poem:

"The time to pitch in is when others discouraged show signs of tire
The battle is fought in the home stretch and won twixt the flag and the wire."

It is the ability to act and begin at a time when others see no hope that helps to make a success in speculation. When everything looks the bluest and nobody can see a ray of hope, it is time to buy good stocks. When the pot is boiling and everybody is optimistic, with not a cloud in the sky, it is time to sell. Hope, in one case, has wrecked and ruined judgment and, at the other extreme, fear has caused loss of hope, loss of judgment, and through discouragement, traders sell out on the bottom and many of them go short. This is the wise fool's opportunity and the man who has nerve to wade in at these extremes will make money.

The man with money who is out of the market and is studying and watching his charts can see these opportunities at the extremes and take advantage of them.

FEAR VS. KNOWLEDGE

Fear is one of the great causes of losses in Wall Street. In fact, fear is the cause of most all of our troubles and misfortunes in life. What causes fear? It is ignorance or lack of knowledge. The Bible says "Ye shall know the truth and the truth shall make you free." The truth is knowledge whether it is scientific or otherwise, and when a man has knowledge, he sees and knows and does not fear. With knowledge, he does not hope, because he knows what will happen, and does not hope or fear what will happen.

Why does a man sell out stocks at the lowest point? It is because he fears they will go lower. If he knew that they were at the lowest point, he would have no fear, and instead of selling, he would buy. The same applies at the top. Why does a man buy at the highest point or cover shorts at the highest point? Because he has lost hope and fears they are going higher. If he had knowledge, he would have no fear and would use good judgment. To succeed, hope and fear must be eliminated, and the only way to eliminate these two impostors is to get as much knowledge as you can.

WHY TRADERS DO NOT SELL OUT STOCKS AT HIGH LEVELS

In every bull market many traders have enormous profits, but fail to get out at the right time. They let stocks decline and sometimes wipe out 50 to 100 points' profit before selling out. There must be a reason for this. We have heard much talk of Wall Street psychology and some writers have said that the 1929 Wall Street panic was due to mob psychology. This is largely true, but mob psychology would not have caused the panic if previously mob psychology had not caused the big bull market when everybody

bought, got over-optimistic and failed to get out with big profits.

The following incident, which actually happened, illustrates why people do not sell out stocks when they have big profits. A gentleman who I have known for many years, bought U. S. Steel around 80 in 1921. He held it and received the stock dividend of 40 per cent in 1927. Then, when the new stock declined to 111¼, he bought some when it rallied to 115, and held all of this stock until it advanced to 261¾ in September, 1929. Long before the stock crossed 175, he talked about selling it at 200, but when it crossed 200, he decided that it was going to 250, and waited to sell at that price. About the time that U. S. Steel advanced to 250 this man met a friend of mine and said to him, "What does Gann think of Steel now?" My friend replied, "Gann says that the market is going to be top around the end of August and he is going to go short of U. S. Steel." This man said, "I hear that U. S. Steel is going to 300 or higher and then be split up 4 for 1, then I am going to sell out." After U. S. Steel sold at 150 in November, 1929, this man came into the office of my friend who said to him "Mr. H., did you sell your U. S. Steel above $250?" He answered, "No, I did not sell it, and I have it yet." My friend said, "Why on earth didn't you sell out when you had such big profits?" The man replied, "Well, you know they have a way of hypnotizing you and putting you to sleep when stocks are up near top, then you don't wake up and realize what has happened until they are down near the bottom and it is too late to sell."

This man's statement shows that people do get hypnotized and do not realize what has happened or what is going to happen until it is too late, which is one of the reasons why they do not sell out stocks at high levels. If investors and traders would only learn to follow up their profits with a stop loss order, which would get them out with a good part of their profits when the decline starts, they would be much better off. What was the use of this man allowing U. S. Steel, which he had bought at the right time, to decline over 100 points and wipe out the biggest part of his profits? Of course, after Steel was down 20 points he did not believe

that it would decline 80 or 90 points more; if he had, he would have sold out. Remember, it is not what you believe, think or hope that counts, but it is what the market does, therefore, you must have some rule to protect your profits, once you have made them. I know of no better automatic protection than the stop loss order.

THE WISE FOOL

The cock-sure trader who thinks he knows it all, follows tips and inside information. He condemns what he does not understand and never makes progress because he thinks he knows it all. Such a man calls a follower of science and charts, a fool, but the follower of charts is a wise fool. I quote from 1st Corinthians 2:13–14: "Which things also we speak, not in the words which man's wisdom teacheth, but which the Holy Ghost teacheth; comparing spiritual things with spiritual. But the natural man receiveth not the things of the spirit of God, for they are foolishness unto him, neither can he know them, because they are spiritually discerned." The natural or average man considers science as applied to the stock market foolishness and condemns charts because he does not understand how to read them. To him they are foolishness because he does not know the rules by which to read them. He has not had years of experience and has not been trained to properly read or accurately determine the future course of stocks. The successful trader is the man who knows that he does not know it all and who is always trying to learn more. When once a man decides he knows it all about the stock market, he is doomed to failure. When activity decreases, stagnation sets in and when a man no longer continues to learn he goes backward, not forward. A successful man must have a plan and rules and follow them.

CHAPTER IV

TIME CHARTS AND TREND CHANGES

NEW WAY TO READ THE STOCK TAPE

The old way of reading the stock tape was to stand at the ticker and watch for activity to break out in a stock with increasing volume; then buy it or sell it. This theory worked quite well in the days when there were never more than 3 or 4 active leaders at one time. But it will not work now with sometimes as many as 800 different stocks traded in in one day. There are too many cross-currents; some stocks are always moving up while others are going down. The man who hangs over the ticker in the broker's office has not been beating the market since 1921, and he will not beat it in the future.

There is a new way of reading the tape. It can be applied to any market in the past and to any market in the future, and it will work provided the man who is trading eliminates the human element and follows cold, mathematical facts, leaving hope and fear out of his judgment. In TRUTH OF THE STOCK TAPE, I said that the proper way to read the stock tape was to stay away from the ticker and analyze stocks after the market has closed. The busy man should get the newspaper after the market closes and note the high and low for the day on the stocks he is interested in. He should glance over the entire list and take notice of the stocks that have a volume of 100,000 shares or more. These stocks are either already leaders or are starting to be leaders. Suppose he has watched a stock for several weeks or months and the sales never reached 10,000 shares in a day; then he picks up the paper some day after the market has closed, and finds that this particular stock has a volume of 25,000 shares. This will indicate

that the move is on, up or down, and he should start trading in it. Let this be one of the rules, if a stock has a very large volume of sales in a day and has made a very narrow range in fluctuations, do not buy or sell until it shows a wider range of fluctuations and go with the trend whichever way the move starts. Keep up the daily, weekly, monthly and yearly high and low charts according to the rules and examples given and judge the stock accordingly. This is the new and proper way to read the stock tape.

TIME RECORDS PROVE CAUSE AND EFFECT

By studying past history and knowing that the future is but a repetition of the past, you can determine the cause according to the time and conditions. Sometimes it is necessary to go a long way back to determine the cause, because you must study war, its effect, the conditions before war and what follows. (See chart No. 1 and review page 9.) The average man's memory is too short. He only remembers what he wants to remember or what suits his hopes and fears. He depends too much on others and does not think for himself. Therefore, he should keep a record, graph or picture of past market movements to remind him that what has happened in the past can and will happen in the future and should not allow his enthusiasm to get the better of his judgment and buy on hope, thinking that there will never be another panic. Panics will come and bull markets will follow just as long as the world stands and they are just as sure as the ebb and flow of the tides, because it is the nature of man to overdo everything. He goes to the extreme when he gets hopeful and optimistic and again when fear takes hold of him, he goes to the extreme in the other direction.

Traders made the mistake of selling too soon and buying too late in 1929. These mistakes could have been avoided if the traders had kept up charts on individual stocks and on the Averages, because they could have seen that they were making higher bottoms and higher tops all the time, especially those stocks which were in strong position and they should not have sold them short. When the

Dow-Jones Averages crossed the high levels of 1919, which was the highest in history, it was a sure indication that the bull campaign was going to last for a long time and that stocks were going very much higher. The buying power of the country had increased. There was more money in the country than ever before. More people had been educated to speculate than ever before in history, and this momentum carried stocks to higher levels than they should have gone on intrinsic value. However, the charts, when properly interpreted, showed the up trend on each different stock right along and the trader would have made no mistake if he had interpreted the charts properly and had followed the trend. Buying and selling on hope or fear is poor business. Every man who makes a trade should make it with a good sound reason and then he must figure that he could be wrong and should place a stop loss order for his protection in case he finds he has made a mistake.

Always look up the stock that you are going to trade in and get its record before you make a trade. If it has had a big move previously or a few years before and seems to be in a narrow, trading range, or what I call a sideways move, leave it alone until it shows some definite move up. If the stock has been a leader in a previous bull campaign or a leader in a previous bear campaign, the chances are that it will not be a leader in the next campaign, unless the chart distinctly shows that it is going to lead in an advance or decline.

Study each stock and each group of stocks and watch how they act on rallies and how they act on reactions, so you can determine whether they are in a section of a bull campaign, which will be resumed later, or whether they are in a bear campaign, which must run out 3 to 4 sections before the bottom is reached. Look over your charts and you will find that each group of stocks and each individual stock when it starts on the down trend runs out 3 to 4 sections. First, it has a sharp decline; then rallies and is distributed; then has another decline; hesitates, rallies and then has another decline; hesitates again and then has a final big break or one we call the clean-out, when investors and everybody get scared and decide that stocks are never going up again and

sell out everything. When this final clean-out comes, that is the time to buy for the long pull for another bull campaign.

Profits made over a long period of years can be lost in a decline which will run from 5 to 7 weeks, like the panicky decline from September to November, 1929. Accumulated profits over a long period of time are lost because traders have not protected themselves with stop loss orders. A stop loss order is much better protection for traders because it works automatically. A man may have a mental stop, yet when the price reaches there, he does not sell out. Traders get used to normal markets, which have normal reactions of 10 to 20 points, and they think when the big decline comes and a stock has gone down 10 to 20 points, it has gone low enough and they are not worried. Then the decline continues, as it did in 1929, during the panic, when stocks went down 100 to 200, and 300 points. Then what chance has a trader to get out with his profits or with his capital unless he uses a stop loss order or sells at the market as soon as he sees a decline start.

BEST KIND OF CHARTS TO USE

Traders who condemn charts do not know the right kind of charts to use. They apply the same rules or reasons to all kinds of charts. The charts which fool traders the most are the space charts, either 2, 3, or 5-point moves up and down, because these charts do not take into consideration any time element. The next charts that make the most false moves and fool traders often are the daily high and low charts. The weak point with these daily charts is the fact that they show the minor moves, which are like the ripples in the ocean caused by a pebble. They do not disturb or determine the big move or main trend. Most traders use these kind of charts.

The best charts to use are the weekly, monthly and yearly charts. The weekly high and low chart is much more valuable than the daily chart because it contains 7 times as much time. The monthly high and low chart is a better guide to the trend than the weekly chart, because it contains over 4 times as much time as the weekly and 30 times as

much as the daily chart. The yearly high and low chart is the best guide to the main trend, and if used in connection with the monthly chart, will prove of the greatest benefit to traders and investors. It contains 365 times as much time as the daily chart, 52 times as much as the weekly, and 12 times the amount of the monthly chart, measured by time.

The weekly and daily high and low charts are valuable when the markets are very active and are good to use on very high-priced stocks at the time they are culminating or in the final grand rush, because the daily and weekly will show the first change in trend. They are better to use at the tops of fast moves than they are at the bottom. However, when markets have a quick, sharp, panicky decline, then the daily and weekly charts will help, but the best guides in long pull trading and determining the main trend are the yearly and monthly high and low charts.

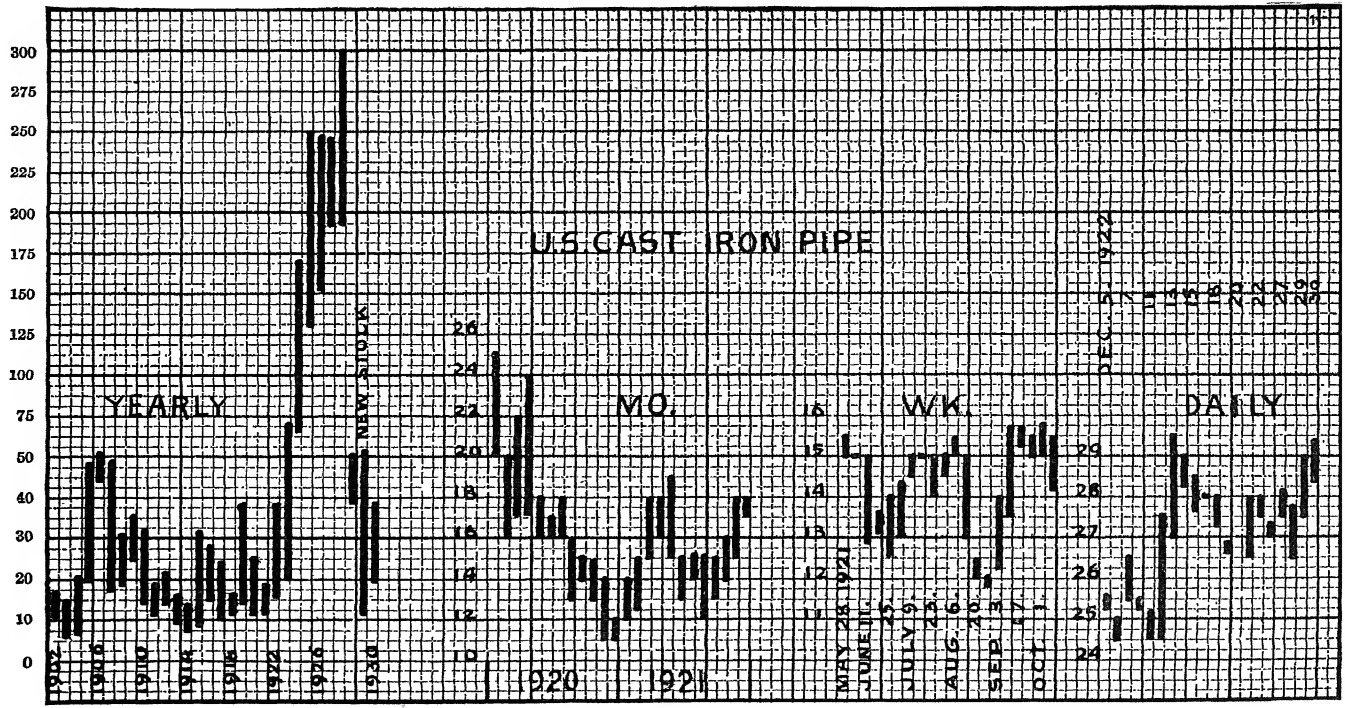
TREND ACCORDING TO TIME CHARTS

The charts on U. S. Cast Iron Pipe on page 46 show you how a market acts after it has been in a range for 20 days, 20 weeks, 20 months, and 20 years. All of these charts look almost the same as far as space movement is concerned, but why did the big advance take place in U. S. Cast Iron Pipe when the yearly position was the same as the daily? It is because 20 years of time accumulates power and buying influence which can never be accumulated in 20 days, 20 weeks, or 20 months. This is what fools so many chart readers. If a stock is new or a new movement is starting and there is only a few days of accumulation or distribution, then you cannot expect a long campaign one way or the other. Sustained and enduring advances or declines seldom ever occur until sufficient time has elapsed to complete a period of accumulation or distribution. A stock often makes many false starts. It will come back near the bottom several times or will advance near the top several times while distribution is taking place, but when once the accumulating or distributing zone is cleared and the stock breaks out into new territory, then the fast move takes place.

CHART NO. 2.

U. S. Cast Iron Pipe, now U. S. Pipe & Foundry

Yearly High and Low 1920–1930.	Monthly High and Low 1920–1921	Weekly High and Low May 28–Oct. 1, 1921	Daily High and Low Dec. 5 to 30, 1922



U. S. Cast Iron Pipe.—The charts on U. S. Cast Iron Pipe & Foundry show the yearly high and low prices from 1902 to April, 1930, the monthly high and low prices from January, 1920, to December, 1921, the weekly high and low prices from May 28 to October 8, 1921, and the daily high and low prices from December 5 to 30, 1922. The object of giving these different time charts is to show you how a stock acts after crossing Resistance Levels at different time periods, taking the prices for 20 years, 20 months, 20 weeks and 20 days. All of these charts look very much alike, but the difference in the time periods is what makes the difference in the advance after the Resistance Levels are crossed on the daily, weekly, monthly, and yearly charts.

The daily chart, giving the high and low prices for a period of a little over 20 days, shows you that in January, 1923, when prices crossed 29½, the highest for over 30 days, the stock slowly worked higher until March, 1923, reaching 34, only getting up 5 points in about 90 days. After that the stock declined to 20 in July, 1923, from which the big advance started. The trader who had never studied anything except the daily high and low chart, would have been fooled when prices went into new high territory on the daily chart.

We will next consider the position of the weekly high and low chart from May 28 to October 8, 1921, 20 weeks' decline. In November, 1921, the stock crossed 15¾, the high for the past 20 weeks and advanced to 21 in January, 1921; then reacted to 17 in February, from which followed an advance to 38 in April, 1922, the stock getting up only 22 points in 18 weeks, after having crossed the top of 20 weeks. This was a bigger advance than occurred after the stock crossed 20 days' tops on the daily chart, because the weekly high and low chart is 7 times as strong as the daily.

We next review the monthly high and low chart. May, 1920, high 18; November and December low 11. May, 1921, high 18, August low 12. From May, 1920, to December, 1921, was 20 months. U. S. Cast Iron Pipe crossed 18, the high of the previous two years, in January, 1922, and advanced to 38 in April and made a high of 39 in August, 1922, getting up 20 points in 4 months, after hav-

ing crossed 20 months' tops. After August, 1922, the stock declined to 20 in July, 1923, from which the big advance started. You can see from the daily, weekly, and monthly high and low charts, that the stock got into a strong position temporarily by crossing tops, but failed to have any big advance and reacted. However, the monthly high and low chart showed a higher bottom and indicated higher prices later.

The yearly high and low chart, being the most important, because it contains more time, shows less false moves. High on U. S. Cast Iron Pipe was reached in 1906 when it sold at 53; then declined to 7 in 1914, but during the bull campaign of 1915–1916 and 1919 failed to get above 30. The advance started from 20 in July, 1923, and the price crossed 40 in November, 1923, the high of 1919, and in the same month crossed 53, the high of 1906, being 20 years from the extreme low of 6 in 1903 and 17 years from the high of 1906. This indicated that there was powerful buying to force the stock above all of these highs and indicated a big advance to follow. After advancing to 53, the stock never reacted to 50 until it advanced to 250 in February, 1925; up 230 points from the low of 20 in July, 1923, making this big advance in 18 months, a wonderful move to pyramid. This shows you the great value of the yearly high and low chart for the life of a stock. Study these charts, as they will prove to be your best guides to the trend on the big moves.

HOW TO STUDY DAILY, WEEKLY, AND MONTHLY CHARTS

Watch the action of the daily moves in the 1st, 2nd, 3rd and 4th stages. If a stock starts up, has an advance, then hesitates and has what we call a sideways movement, and goes on through these Resistance Levels on the up side, then watch how it acts when it hesitates and stops the 2nd, 3rd and 4th times. When it reaches the 3rd or 4th move up, watch for a change in trend as this is the culminating period. You should apply the same rule to the 1st, 2nd and 3rd moves on the weekly and monthly charts. It also applies

to the major as well as the minor swings. (Note swing charts on page 113.) When a market begins declining or an individual stock starts down, it usually makes 2, 3 and 4 movements before it reaches final bottom. If the trend is going to reverse, it will only make the 1st and 2nd decline and then turn up again. But after a prolonged decline and a 4th move down, you should watch for bottom and change in trend.

DAILY TIME RULE

For daily trading or short swings, a good rule to use is never to buy or sell a stock until it has halted for 2 to 3 days at the bottom or top, which will show you that buying or selling is strong enough to check the advance or decline. Then buy or sell and place a stop loss order not more than 3 points above or below the extreme high or low point at which the stock halted.

This rule should not be applied in panics. On the days of extreme fluctuations and large volume, it is not necessary to wait 2 or 3 days, because the market will have a sharp, reverse move up or down. Therefore, take profits on the days of a fast advance and, when there are big, panicky declines, cover shorts and wait to see what the market does the following day. For example, March 25, 1929, when the record sales were over 8 million shares and stocks had a wide-open break, you should have covered shorts and waited or bought for a rally. Again on October 24 and 29 and November 13, 1929, which were panic days, there was heavy volume and sharp declines followed by quick rallies.

In slow moving stocks, do not make the mistake of trying to get ahead of the market. Wait until a stock shows that the trend has changed and a move has started. Judge each stock according to its own position and do not expect it to follow the movement of its own group unless its graph shows that it is in position to do so.

Make up a chart on General Motors from 1921 to 1924 from high and low prices in back of book and note how Chrysler, Hudson Motors and many other motor stocks were advancing while General Motors was very inactive and in a narrow, trading range. Then, when General Motors

showed that the main trend had turned up, it continued to advance until 1928 and 1929, when the final top was reached and the main trend turned down.

Note the position of White Motors from 1921 to 1925 and then see how it continued to go down nearly 100 points while General Motors was advancing. The chart on White Motors showed plainly that the trend had turned down, and you should have been selling it short at the same time that you were buying General Motors. This is keeping right on the market and following the trend.

Remember that I put the greatest value on the weekly and monthly high and low charts for determining the change in the major trend. The daily high and low charts make false moves and will often fool you because the change that they show is only of minor importance in many cases.

WEEKLY TIME RULE

One of the best rules to use for the weekly high and low chart is to wait for a reaction of 2 to 3 weeks and then buy. This applies to active stocks, as most of the active stocks will not react more than 3 to 4 weeks before the main trend is resumed. When in a bear market, reverse this rule; sell on rallies of 2 to 3 weeks. Always watch for a change in trend in the 3rd week, up or down.

The weekly rule for rapid advances and rapid declines is to watch for a culmination in the 6th or 7th week, up or down; then buy or sell after watching your daily high and low chart for the week that the stock reaches top or bottom, and place a stop loss order above or below the Resistance Level.

MONTHLY TIME RULE

Stocks that are in strong position and show up trend will seldom ever react into the 2nd month. Your rule should be to buy and place a stop loss order under the previous month's low level. Always watch the point at which advances start, whether from the lowest bottom or 1st, 2nd, 3rd, or 4th higher bottoms. These starting points are always buying points with a stop 3 points under. When a

stock declines or advances after making top or bottom and the movement runs into the 2nd month, the next important time to watch for a change in trend is the 3rd or 4th month.

All of these rules work best in the stocks that are very active and are fluctuating on large volume of sales. Study your daily, weekly, and monthly high and low charts on the active high-priced stocks and you will learn how well these rules work.

WEEKLY AND MONTHLY TIME CHANGES

The weekly time changes are not as important as the monthly, and these rules apply only to active markets.

Important changes often take place on Monday in the first hour. If a stock opens low on Monday and does not sell lower by 12 o'clock, it is a good sign. Then if it closes strong and higher, it is a better indication for higher prices. The reason Monday is so important is because the public buys or sells heavily in the first hour every Monday and causes higher or lower prices. If the insiders are supporting the market, they take the stocks the public sells and then move the market right on up. If the public is buying and the insiders or pools are not supporting, they fill the public buying orders and then let the market go lower.

The next important day of the week to watch for a change in trend is Wednesday, especially Wednesday afternoon. When a market has been advancing or declining, it often reaches the low level or the high level on Wednesday afternoon or in the first hour Thursday morning.

The next important day of the week is Friday. Traders are suspicious and superstitious, because they play on hope and fear. They fear Friday because it is hangman's day. Most of the old countries hang men on Friday. Traders are afraid of Friday, the 13th, but it often means nothing, all depending on the condition of the market. However, Friday morning is often high or low for the week. The main reason for this is that large traders, who have profits, will close their commitments on Friday and stay out of the market for the short session on Saturday. Another reason is that the Federal Reserve statement, showing brokers'

loans, always comes out after the market closes on Thursday. If the market has been weak and declining all week, traders will lose hope and decide to get out Friday and wait, and this often makes the market top Friday, and a decline follows, because short covering has weakened the technical position.

MONTHLY DATES AND CHANGE IN TREND

It is very important to watch how stocks act during the first few days of the month. Important changes often occur between the 1st and 3rd of each month. One reason for this is that customers always receive their statements on the 1st of each month and know just how their accounts stand. They often sell out to secure profits or sell out because their accounts have been weakened by declines. The 10th of the month is also important for a change in trend. The 15th is important but not as much as the 10th. The 20th to 23rd is an important time to watch for a change in trend, as high or low prices are often reached around this time of the month.

My experience has proven that the above dates are important and of value to any trader who will watch them, and will many times help in determining top or bottom.

U. S. Steel Monthly Moves.—We have told you before that it is important to watch the dates each month when a stock makes the high and low levels. In this way you will learn more about its movements and will find out whether it makes extreme high or low in the early part of the month, in the middle of the month, or in the latter part of the month. We are giving U. S. Steel as an example, showing you the minor movements as well as the extreme high and low for each month.

1927

January 4th and 5th low; 11th extreme high; 28th extreme low.

February 2nd low; 15th high; 20th low of a reaction; 24th to 28th extreme high for the month.

March 2nd low; 17th to 18th top of rally; 22nd low of reaction; 30th and 31st extreme high.

April, first high on the 9th; then low on the 12th and 13th; 18th to 19th top of rally; 22nd low of reaction; 25th and 26th high of rally; then 28th to 30th extreme low.

May 2nd to 3rd low; next high on the 11th; 16th to 17th low of reaction; 21st high of rally; 25th low of next move; 26th extreme high.

June 1st to 2nd extreme high of the month; 14th to 15th low of reaction; 20th top of rally; 30th extreme low.

July 1st to 2nd extreme low; 14th to 15th high of rally; 18th to 19th low of reaction; 29th extreme high.

August 3rd extreme high for the month; 8th to 9th low; then a quick rally on the 10th; 12th low; 30th extreme high.

September 1st and 2nd extreme low; extreme high on the 15th and 16th; low of reaction on the 19th; rallied to the 26th; 29th low of reaction.

October 4th high; low on the 10th; rallied to the 14th and declined to extreme low on the 29th.

November 1st extreme low; 15th top of rally; 17th low of reaction; 19th high of rally; 21st and 22nd low of reaction; 26th and 29th extreme high.

December 1st to 2nd high; then 9th low of reaction; rallied to the 16th and 20th; reacted to the 21st and on the 24th made extreme high; then low again on the 30th.

1928

January 3rd and 4th high of rally; declined to the 10th and 11th; rallied to the 14th; declined to the 18th; then on the 27th made extreme high.

February 4th low; rallied to the 9th; reacted and made low on the 20th; rallied to the 23rd; declined and made extreme low for the month on the 27th.

March 2nd extreme low; 17th top of rally; 24th low of reaction; 26th high of rally; 27th decline; 31st extreme high.

From this time on, as Steel is more active, we will give only the dates for the early part of the month, extreme high and low for the month, and how the stock closes the month.

April 2nd to 3rd low; 12th extreme high for the month; 24th extreme low; 30th closed the month near the extreme low.

May 3rd low; 11th extreme high; 22nd extreme low; 25th top of rally; 29th near the low for the month.

June 1st high for the month; 25th extreme low, rallied to the 29th.

July 2nd low; rallied to the 9th, followed by decline to the 12th and 17th, making extreme low; 28th extreme high; closed 3 points off from the high.

August 3rd and 8th extreme low; 29th extreme high; closed near the top for the month.

September 5th extreme low; 22nd high for the month; closed near the top.

October 3rd extreme low; 15th and 24th high; closed 6 points below the top.

November 1st to 3rd extreme low; 16th to 17th extreme high; closed 6 points down from the top.

December 4th extreme high; a big decline followed reaching lows on the 8th and 14th; closed the month 11 points up from the low levels.

1929

January 3rd first high; 8th extreme low; 25th extreme high; declined 13 points to the 30th and closed the month 9 points down from the top.

February 2nd high for the early part of the month; declined 20 points to the 16th, making extreme low; rallied to the 26th and closed 5 points down from the top and up 16 points from the extreme low.

March 1st high for the month; 6th and 11th same low of reaction; 15th top of rally; 26th extreme low; closed 12 points up from the low.

April 12th extreme high; 17th low of reaction; 30th top for the month; 3 points down from the high at the close.

May 1st high for the month; 31st extreme low, the stock selling at 162½, the last low before the big advance started.

June 3rd extreme low; 28th extreme high; closed the month at the top.

July 1st extreme low; 24th extreme high; closed the month 4 points down from the high.

August 1st extreme low; 14th top for a reaction; declined 9 points on the 10th; advanced and made extreme high on the 24th; closed 4 points down from the top.

September 3rd extreme high for the month as well as the highest price in its history, when the stock reached 261¾; 13th to 16th low of reaction, down 31 points; 19th top of big rally, up 17 points; 30th extreme low for the month.

October 4th low 206½; 11th high 234; 24th low 193½ on the first panic day; 25th high 207; extreme low on the 29th, the day of the big panic, when the stock sold at 166½; rallied to 193½ on the 31st and closed the month at 193.

November—This month ended the panicky decline and Steel made extreme low on the 13th, reaching 150; rallied to 171¾ on the 21st; declined to 160¾ on the 27th and closed the month at 162.

December 2nd low 159¼; 10th high 189; 23rd low 156¾; closed the month at 166½.

1930

January 2nd extreme low 166; rallied to 173¼ on the 10th; declined to 167¼ and closed the month at 184.

February, made high for the month on the 14th and 18th at 189½; reached extreme low on the 25th at 177.

March 13th extreme low at 177¾; a sharp rally followed and the stock reached 195, the extreme high, on the 31st, closing the month at 194.

April 3rd low 192¾; 7th high 198¾; reacted to 192¼ on the 14th.

Study these minor swings each month and note where the bottoms and tops are made, so that you will know when Resistance Levels are crossed on the up side or broken on the down side. The more you study time and space movements on each individual stock, the more successful you will be in trading in it. Study the volume of sales at each important bottom and top and consider the number of shares outstanding in each stock. This will help you to determine whether buying is better than selling or not.

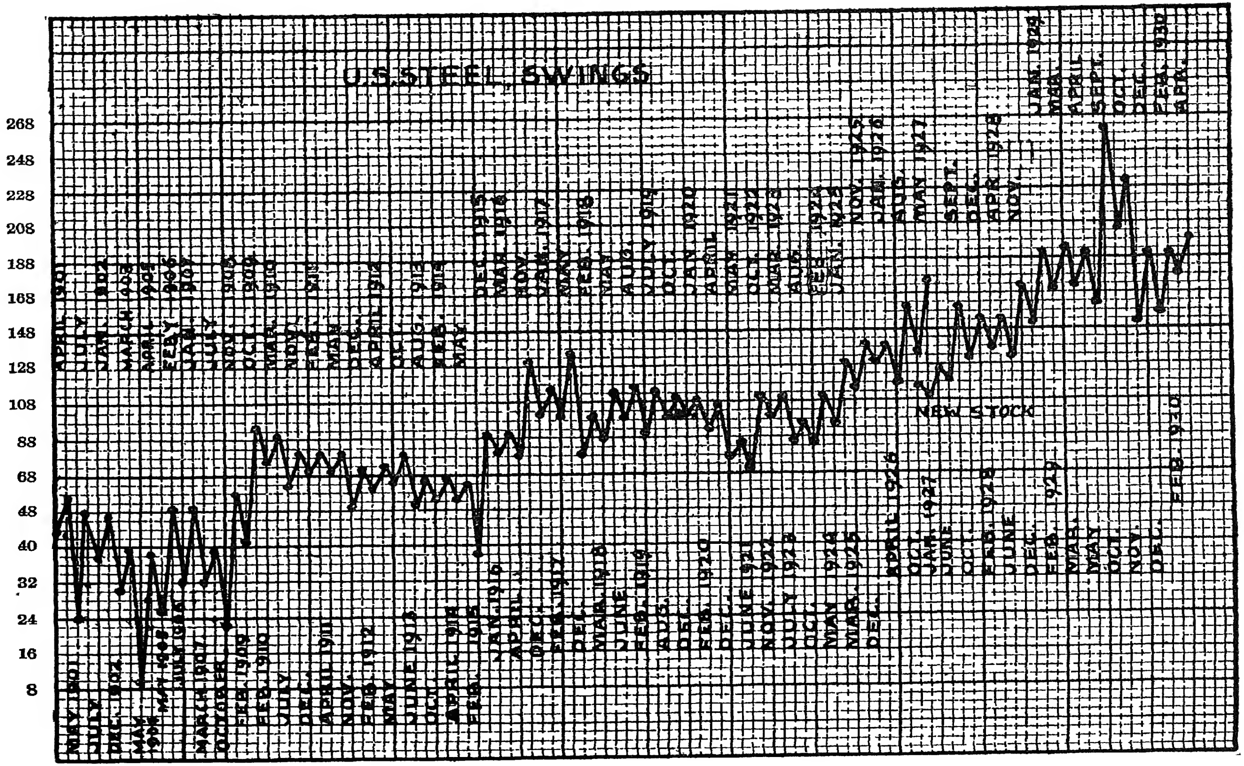
MONTHS TO WATCH FOR CHANGE IN TREND

It is important to study past movement of stocks to see how much time is usually required to complete a movement. There are several sections to a major movement or swing. There are yearly and seasonal changes in all stocks, and you must watch for these seasonal changes. It is also important to watch for change in trend every 3rd, 6th, 9th and 12th month, but the most important time to watch for a major change in trend is at the end of each year. By this, I do not mean the calendar year. For example, if a stock makes bottom in the month of August, and the trend continues up; then the most important date would be the following August or one year later, when you should watch for at least a change in the minor trend, which might last one to 3 months or more.

I have repeatedly stated that stocks, like individuals, have habits and that to determine the position of any stock, you must study it individually and not collectively. The farther back you have a record of a stock and the more you study it, the more you will understand its actions and know when it is making tops and bottoms. Study the Swing Chart of U. S. Steel on page 56. You can see how the important tops and bottoms were formed and where the important changes in trend have taken place in the different years. U. S. Steel has made more tops and bottoms in January and February, and in May and June, and in October and November than in any other months, as the records will show. It has made more bottoms in February than in any other month. Therefore, knowing these months, you can watch for a change in trend either way and it will be a great help to you.

U. S. Steel.—1901 low in May; 1902 high in January; 1903 low in May; 1904 extreme low in May. 1905 low of reaction in May; 1906 February high; 1907 January high; extreme low in October; 1908 high in November; 1909 low in February and extreme high in October. 1910 February low of reaction, November top of rally. 1911 February high, a second high in May and low of the year in November. 1912 February low, and May low of a

Chart No. 3.—U. S. Steel Swings. 1901–1930.



reaction; October high of the year. 1913 June low, August high, low of a reaction in October. 1914 February high; last top of rally in May. Exchange was closed from July to November, 1914, but U. S. Steel made the lowest price on the New Street Curb in November. 1915 extreme low in February. 1916 extreme high in November; 1917 low in February, extreme high for the year in May; 1918 top for a reaction in February, high in May, low of a reaction in June, and high of year in August. 1919 low of the year in February, high of last rally in October; 1920 low in February for a rally; 1921 extreme low of the year in June. 1922 high of the year in October; low of a reaction in November. 1923 October last low, from which a big advance started. 1924 high in February for a reaction; extreme low of the year in May. 1925 high in January for a reaction and high for the year in November. 1926 high in January for a reaction, low of a big reaction in October. 1927—Note that the old stock made high for the year in May and that the new stock made extreme low in January, extreme high in September and low of a big reaction in October. 1928 top in January for a reaction, low of the reaction in February, last low in May, from which the final big advance started. 1929 first high in January, low of a reaction in February, last low in May, from which the big advance started which culminated on September 3, 1929, when the stock reached 261¾, the highest in history. Then followed the big break in October and the extreme low for the year 1929 was reached in November. 1930 low of reaction in early part of January, top of rally February 18; reacted 12 points to February 25th and advanced to 198¾ on April 7, the high up to this writing.

From the above you can see that a man who studied U. S. Steel closely for the first 8 or 10 years of its history from, say, 1901 to 1911, would have learned the fact that it made important changes in trend in January, February, May, June, October and November. The knowledge of this fact, together with a study of his charts, would have helped him in determining when tops and bottoms would be reached.

General Motors.—It is important to review and study the history of fluctuations of General Motors from the time

it was listed on the New York Stock Exchange in 1911 up to date and in this way you will learn the months when it makes the most tops and bottoms.

1911, August high 52. 1912, January and February low 30; August and September high 42. 1913, low 25 in June. 1914, May high 99; July low 55. 1915, January low 73; December high 567. 1916, April low of reaction 405; October extreme high 850. At this time a stock dividend was declared and trading began in the new stock. 1917, January high on new stock 146, April low 98, July high 127, October extreme low of the year 74½. 1918, February high 141; March low 113, August high 164; September and October low 111. 1919, November high 400. 1920, February low 225; March high 410, where the stock was split up on the basis of 10 for one. March, 1920, high on the new stock 42, equal to 420 on the old stock. 1921, January high 16; August low 9½. 1922, the stock was very dull and narrow, reached extreme low of 8¼ in March. 1923, April and May high 17, another narrow year of fluctuations. 1924, April and May last low 12¾; here the stock was exchanged on a basis of 10 of the old stock for 4 of the new. Activity started in the new stock soon afterwards. 1924, May and June low of 52 on the new stock. 1925, November high 149; reacted in December to 106, only a three weeks' reaction and never broke this point until the stock advanced to new high levels. 1926, August high 225. A stock dividend was declared. 1927, October high 282, when another stock dividend was declared. The new stock sold as low as 111 in August, 1927, and made high in October at 141; declined in November and December to 125. 1928, May high 210; June low of reaction 169; October and November high 225. Then there was another stock dividend declared. Trading began in the new stock in December, 1928. The high this month was 90 and the low 78. 1929, March high 91¾; July low of reaction 67; September high of last rally 79¾; October extreme low for the year 33½. 1930, up to this writing in April General Motors has advanced to 54.

General Motors, Important Months.—From the above and from the monthly high and low prices given in the

Appendix, you can see that General Motors has reached the most important tops and bottoms during the months of March, April, May, August, September and October. In going over the years consecutively, you can see how the highs and lows predominate in these months. Therefore, if you study General Motors and watch the months that it has made highs and lows, then watch these months again the following years, it will help you to determine the tops and bottoms. 1911, high in August. 1912, high in September. 1913, a narrow market, but low in June. 1914, high in May. 1915, low in January; high in December. 1916, low of a reaction in April; extreme high in October. 1917, high in January; low of a reaction in April; extreme high in October. 1917, high in January; low of a reaction in April; low of the year in October. 1918, low in March; high in August. 1919, high for the year in November. 1920, high on both the old and new stock in March. 1921, low in August, rallied to October. 1922, low in March; made same highs August to October. 1923, high in April and May. 1924, last low in April and May. The new stock made low in May, 1924. 1925, high in November; low of reaction in December. 1926, high in August, low in November. 1927, stock dividend declared in August; new stock low in August; high in October; reacted in November and December. 1928, high in May, low of reaction in June, high in October and November. 1929, high in March, low of reaction in July, last high of rally in September, and extreme low of the year in October. This shows you that if you watch the months of March, April, May, August, September and October, you will catch the important turns on General Motors.

CHAPTER V

SUCCESSFUL STOCK SELECTING METHODS

BUYING OUTRIGHT

So many traders get the idea from what they read and from what other people say, that there is only one sure way to beat the stock market, and that is by buying outright. Buying stocks outright has just as many disadvantages as any other method. To buy stocks outright at the right time is wise and will result in profits, but what the investor and trader needs to know is the right time to buy stocks outright. As a rule, when the right time comes it is just as safe to buy them on 25 to 50 per cent margin, as it is to buy them outright, because if they are going up, you buy them at the right time and this amount of margin is ample for your protection and will reduce your interest charges. Many people have lost their entire fortune or a large part of their invested capital simply by thinking they were safe because they held stocks all paid for. They continued to let them decline until dividends were passed or until the stocks went in the hands of a receiver and became worthless. Now, if they had bought these stocks on margin, or bought them outright protected with a stop loss order in case the trend should change, they would have saved themselves enormous losses.

The only time that I consider it 100 per cent safe to buy stocks outright and hold them is to buy stocks that are selling below $12 a share and then only risk about 10 per cent of your capital on this class of stocks, because they can go down to nothing and be assessed. Going back over records we find that a large percentage of stocks which have reached very high levels and become seasoned dividend-payers, have almost all at some time in their history sold below $10 per

share and some of them sold as low as $3 or $4 per share, so the man that buys them outright when they are selling below 12, certainly cannot lose more than $12 per share. If he buys them at any other higher level and does not protect with a stop loss order, he can lose all he paid for them, or at least a large per cent of his capital. Below I am giving a list of stocks, almost all of which have sold at very high levels later in their history after these low prices were reached, and people who bought them outright near low levels and held them, made fortunes. I could give you many more, but this list will suffice to prove to you that there comes a time in the history of nearly every good stock when you can buy it at a very low level; then later there comes a time when it reaches extreme high levels, where it should be sold. I have shown in numerous examples that when stocks reach extreme high levels, some of them never reach them the second time and others require 20 to 30 years to get back to these extremes.

	Extreme low		Extreme low		Extreme low
Advance Rumely	6	Erie	10	Northern Pacific	3
Air Reduction	30	Freeport Texas	8	Radio Corp.	20
Allis Chalmers	1	General Asphalt	3	Reading	3
Am. Car & Fdy	11	General Electric	20	Republic Iron	6
Am. Chicle	5	General Motors	8	Remington Rand	17
Am. & Foreign Pr	12	Glidden	6	St. Louis S. W	1
American Ice	9	Goodyear	5	Sears Roebuck	24
Am. International	12	Granby Cons.	12	Southern Pacific	12
Am. Locomotive	11	Hudson & Manh.	4	Southern Railway	10
Am. Safety Razor	4	Hupp Motors	2	Tenn. Copper & C.	11
Am. Water Works	4	Int. Business Mch.	24	Texas & Pacific	5
Am. Woolen	7	Jewel Tea	3	Union Pacific	4
Anaconda	15	Kansas City So	14	U. S. Cast I. P.	6
Atchison	9	Kayser J & Co.	17	U. S. Ind. Alco.	15
Atlantic Gulf W. I.	3	Kennecott	15	U. S. Realty	8
Baltimore & Ohio	11	Loews	10	U. S. Rubber	7
Bethlehem Steel	8	Mexican Seaboard	3	U. S. Steel	8⅜
Calif. Petroleum	8	Mo. Kansas & Texas	8	Vanadium	20
Case Threshing	14	Missouri Pacific	9	Vulcan-Detinning	3
C. M. & St. Paul	11	Montgomery Ward	12	Wabash Common	5
Coca Cola	18	Mullins Mfg.	8	Warner Bros. Pic.	12
Colorado Fuel	14	Nat. Dist. Prod.	6	Western Maryland	8
Columbia Gas and El	15	Nat. Lead	11	Westinghouse Elec.	16
Corn Products	8	New Haven	10	Worthington Pump	19
Crucible Steel	3	Norfolk & W.	9	Wright Aero	6
Electric Pr & Lt	15				

NORMAL OR AVERAGE MOVES

You should study the daily average moves, the weekly average moves, and the monthly average moves on each individual stock that you are trading in or intend to trade in. It is important to know the normal average and the abnormal average. Abnormal moves do not come close together and do not last very long. Suppose you were trading in U. S. Steel. You should have its entire history and know what was the greatest move it made between high and low in any month or in any week or in any day. Go back for a year or two from where you intend to start trading and get its average moves for the days, weeks and months, so that you will know when it breaks into activity and starts into an abnormal move, up or down, study the volume of sales at the culmination of moves, either at tops or bottoms. Many traders make a success trading in a stock while it is making normal swings, and then just as soon as it goes into an abnormal swing they start losing money. Remember that you can always get into the market wrong and the way to protect yourself and keep from getting out wrong is to use a stop loss order. It is financial suicide to get into the market wrong and then get out wrong; in other words, to hold on to a loss until it runs into an enormous loss, when you could have taken a quick small loss.

HIGHER BOTTOMS AND LOWER TOPS

You should always watch the bottoms and tops for a sign of a change in trend. Do not be in a hurry. Wait until the other fellow blazes the trail and shows you that the market has turned. If you are waiting to sell short, it is always safer to sell after a stock has made one or two lower tops and lower bottoms, which will show you that the trend has reversed. The same rule applies when you are waiting to buy a stock. You should watch it until it begins to raise the bottoms and the tops. If a stock cannot make a higher bottom and hold it for a few days, or a week, it certainly is in a weak position and should not be bought. At times, a stock will make a higher bottom but fail to make a higher top,

that is, not cross the level from which the last decline started. This indicates that the buying power is not strong enough to overcome the selling which started the previous decline. What you want to do is go with the trend, not against it. It pays in the long run to wait until you have a definite indication before making your commitments.

An important sign for you to watch for a top or bottom is a series of days of narrow fluctuations with small volume. If a stock advances sharply on large volume; then has a quick decline, rallies, on a smaller volume, fails to get back to its extreme high level, and remains for several days near the top of the rally in a narrow range with small volume, it means that the buying power is not there and that the stock is unable to advance. You should either go short after a few days of dullness or sell short just as soon as the stock breaks under the level of days of narrow fluctuations and small volume. Then place a stop loss order just above the extreme high levels.

This same rule can be applied at the bottom. After a panicky decline on large volume, if a quick rally follows, it means that shorts are covering; then if the stock reacts, gets back near the extreme low level, but does not break it and the fluctuations narrow down and the volume gets smaller, it is an indication that the selling has subsided and that there is not enough selling pressure to force prices lower. You should either buy and place a stop loss order under the extreme level or just as soon as the stock crosses the level of narrow fluctuation days, then buy, as it will indicate that the trend is turning up.

POPULAR TRADING PRICES

The human mind works in the same way most of the time. People get used to certain figures and they trade at these prices more than any others. The average man thinks in multiples of fives and tens. The popular trading prices are 25, 40, 50, 60, 75, 100, 150, 175, 200, 210, 225, 240, 250, 275, 300, 325, 350, 375 and 400. The public nearly always has these figures in mind as buying or selling points, and that is why a stock will often fail to reach these points

either up or down. Therefore, you should watch the action of a stock and when it gets within a few points of these even figures, buy or sell before they are reached.

For example, if everybody has orders in to sell a stock at 50, it may advance to 48 or 49 or even make 49¾ and not go any higher. The wise man will watch his chart and see how it acts around these even figures and sell out in time and not try to get the price that everybody else is missing. Often, when a stock is selling above 100, traders will place large orders to buy when it declines to 100. The stock will decline to 102 or even 101 and fail to make 100. The wise man does not try to get the last eighth but buys when it gets near the price and when his chart shows a support level. Many traders buy around 100 with a close stop and calculate that the stock should not break an even figure or 100. The insiders know this and know that the stops are in; therefore they break the stock quickly to around 98, 97 or 96, catching stop loss orders. This gets the traders discouraged, then the stock goes right on up. As a general rule, a stock that is in a strong position and once gets much above 100 does not again decline to 95.

If you are waiting to buy stocks around these figures, you should always buy them when they go through. If I wanted to buy a stock above 200, I would expect it to make about 202 or 203; then possibly break back 7 to 10 points; then come up again two or three times to around 202 or 203. I would watch it about the third time that it went through the even figure or 200 and, if the volume was large, I would buy it, expecting a quick run to 210, possibly 225. If it went through 210 easy, I would look for 225, which is always a strong resistance point. It might go a little over this figure or it might not quite reach it and then react to around 215, but when the stock crossed 225 after the second or third attempt, I would buy it for 240, possibly 250.

The same applies to a stock when it reaches 300. It will meet a lot of short selling around the even figure, but when once it goes through after making several attempts, it will move up fast to 325, 350, or 375. I consider that the resistance would be stronger around 355 to 360 than at any other point after it crosses 300. When a stock reaches 400, it is

no longer in the class of the small traders and is generally split up and distributed to the public. Stocks are put up to sell. Every man who owns a share of stock expects to sell it some day and will sell it when it reaches a price at which he thinks it is too high.

The public does most of its trading in stocks selling between 50 and 100. Professional traders prefer to trade in stocks selling between 100 and 200. They know that the big money is made in stocks from 150 up to 300. When stocks are split up and stock dividends declared, in most cases they are divided up so that the price of the new stock will sell between 25 and 75, because the insiders know that these are favorite prices for the public to buy.

Knowing all this, your rules should be to trade in the active, fast movers, use stop loss orders, and you will make the most money.

WHY STOCKS MOVE FASTER AT HIGH LEVELS

You can make money faster trading in stocks selling above 100 than you can in stocks selling around 50, and stocks selling above 200 or 300 move faster and make wider ranges than stocks selling around 100, because when stocks reach these levels, there is a reason for it, and the general public seldom trades in stocks selling above 200. When they are in this territory, they are in the hands of millionaires and multimillionaires, who buy and sell on a large scale and cause wide ranges in prices in a short length of time. Therefore, it always pays to trade in active, high-priced stocks. You will make the most money trading in stocks selling above 100 per share and can make the quickest money trading in stocks selling above 200. Stocks selling below 50 make more false moves and have more reactions than stocks selling at higher levels, because they either are in the hands of the public or have not yet sold high enough to establish public confidence and buying power enough to sustain rapid moves. See charts on American Tel. & Tel., Atchison, N. Y. Central and U. S. Steel on pages 56 and 113.

There are two stages when stocks move fast. One is when the company is very young and the stock is first dis-

tributed. The underwriters or promoters support the stock and rush it up fast to attract public attention, and, after distribution is completed, they withdraw support, and as the public is holding the bag, the stock declines.

Stocks also have fast moves after the companies are many years old and have established a record of good earnings and have paid dividends for a long period of time. Investors gradually absorb these stocks and the floating supply becomes smaller. The investors hold when the stock advances and do not sell out. Therefore, it is easy for manipulators to move the stock up fast, because they do not have to buy large amounts of stocks on the way up.

OLD TOPS AND OLD BOTTOMS

The great value of having charts going back ten years or more—if the stock is that old—is to enable you to know where the previous tops and bottoms have been made and when the stock has crossed these old levels. This has been fully covered in TRUTH OF THE STOCK TAPE, but I want to give you some rules that will help you.

Suppose a stock has made a top around 100 for several months previous or several years previous. When it crosses 100, we have every reason to believe that it is going higher to 110, 125 or possibly 150, and you should buy it. Then it advances to 103. Now, if the stock is going higher in the near future, it should not react to 97 after it sells at 103. Therefore, your stop should be at 97. If it reacts this far, it may mean that the main trend has changed but it will indicate that, in all probabilities, it is not going to advance in the immediate future and you had better be out of it.

FIRST ADVANCE AND FIRST DECLINE

It is very important to watch the first reaction after an advance gets under way. In many stocks, this will amount to about 5 to 7 points. In more active, high-priced stocks, it will run 10 to 12 points, but whatever the reaction is, watch it and expect about the same reactions from different levels. For example, U. S. Steel from 1907 to 1909 and

1914 to 1919. (See U. S. Steel Swing Chart page 56.) You can see that if you had bought after a reaction of 5 to 7 points from any high level, you would always have made money, but if you had bought after the stock reacted 10 points, it was a danger signal, and you should have sold out on the next rally. Stocks always have reactions on the way up. These are simply resting periods. They must also have rallies on the way down. These rallies are the result of short covering and buying by people who believe the stock has gone low enough. You must realize the importance of buying and selling in time and not wait until the last hour to act. It is better to get out too soon than too late. Watch for the second or third top or bottom and if the stock fails to go as high or as low as the first top or bottom, then get out and wait.

HOW TO BALANCE A STOCK

You can use the ledger system and balance a stock just the same as you can balance your books. In the tabulation given on page 68, you will see how I have balanced the days on U. S. Steel. Your ledger will show you when your stock is closing with gains or losses. If it continues to close with a loss or close lower, the trend is down, and there is no reason to buy until it shows something on the credit side. You must watch the days, weeks and months, when a stock closes higher or lower. It is very important when a stock closes near the same level for three or more days. When it closes higher or lower than this level, it is an indication that it is going to move in that direction, especially if the market is very active and the volume of trading increases the day that the stock closes higher or lower. Always watch your volume, because it shows whether the energy or power, which moves the market, is increasing or decreasing.

THE RULE OF THREE

This is one of my discoveries of a method for making big profits in a short time trading in active, fast moving

U. S. Steel

Daily High and Low Prices, May 31 to December 31, 1929

1929, Date	Open	High	Low	Close	Loss	Gain
May 31	164⅛	166½	162½	166	....	2
June 1	166¼	166¼	165	165	1	
3	165½	168¾	165¼	167½	....	2¼
4	168	170⅜	167½	169¾	....	2½
5	170	170¾	168¼	168¾	1	
6	168½	169¼	168½	168½	¼	
7	169¼	171	168⅜	169⅛	....	⅝
8	168¾	168¾	167¾	168	1⅛	
10	168	168⅜	165½	166	2	
11	166	167¾	165½	167¼	....	1¼
12	167½	168½	167	167½	....	¼
13	167¾	174¼	167½	173¾	....	6¼
14	174	177¼	173¾	175¾	....	2
15	176	176	175¼	175½	¼	
17	176½	179¾	176½	178	....	2½
18	178¼	179¾	177¼	177¼	¾	
19	177½	178	175¼	176	1¼	
20	176	178¼	174½	177¾	....	1¾
21	177	181¼	176⅝	180¼	....	2½
22	180½	181½	180½	180¾	....	½
24	182	182⅜	179¾	179¾	1	
25	179½	179⅜	185	184¾	....	5
26	185¾	190¼	185¾	189	....	4¼
27	188¼	189¼	186¾	188	1	
28	188¼	191⅜	188¼	189½	....	1¼
29	189	190¾	188⅝	190¾	....	1¼
July 1	191½	192¾	189½	192¼	....	1½
2	192½	196¾	192½	196¼	....	4
3	196	199⅝	196	196¾	....	½
5	197½	200	197½	198	....	1¼
6	196¾	197	195¼	196¼	1¾	
8	196⅝	201¾	196⅝	201	....	4¾
9	200½	201¾	197¾	199	3	
10	199¼	200¼	197½	199¼	....	¼
11	198⅜	199¼	197⅝	198¼	1	
12	200	203¼	199¾	203	....	4¾
13	203	204	201½	202⅜	⅝	
15	202¾	203	198½	198½	3⅞	
16	199	205¼	198	202¼	....	3¾
17	202¼	202½	200	200	2¼	
18	201	204¼	199¾	201¾	....	1¾
19	204¾	208⅜	204½	208⅜	....	6⅝

U. S. Steel—*Continued*

1929, Date	Open	High	Low	Close	Loss	Gain
July 20	208½	209¾	207½	207¾	⅝	
22	207⅜	207½	204⅜	204⅜	3⅜	
23	205	204½	208½	207¼	....	2⅞
24	208¼	210⅜	205¾	205¾	1½	
25	206½	207¼	204½	205½	¼	
26	207½	208½	205⅜	206¾	....	1¼
27	207	207	205⅜	206	¾	
29	205	206⅝	204⅜	205	1	
30	205	207½	205	206½	....	1½
31	205½	210	205½	209½	....	3
Aug. 1	210½	213¼	209¼	213¼	....	3¾
2	213½	215½	213½	213½	....	¼
3	214½	215¼	213¾	214½	.... . .	1
5	214½	215¼	211	211¾	2¾	
6	211½	212½	209¼	211¾		
7	212½	217¼	210¾	215½	. ...	3¾
8	217½	221¼	217⅜	220¾	....	5¼
9	216	217¼	213½	213½	7¼	
10	217	218	214⅝	218	....	4½
12	219	229⅝	219	229⅝	....	11⅝
13	230	240½	228⅜	237	....	7⅜
14	237	245	237	238	....	1
15	238	239¼	235⅜	237½	½	
16	238⅝	242	238⅝	238⅝	....	1⅛
17	238⅝	239½	238¼	238⅝		
19	239	248⅞	237½	248½	....	9⅞
20	249½	251½	247½	247¾	¾	
21	249¼	252½	247¾	248	....	¼
22	249¾	251¾	248¾	249¾	....	1¾
23	251	260	250½	259¾	....	10
24	259½	260½	256¾	258¼	1½	
26	258	259⅜	254	254½	3¾	
27	256	256	252⅝	254	½	
28	253½	256½	252¾	253¾	¼	
29	252	254½	251⅝	253¼	½	
30	254½	258	254	256½	....	3¼
Sept. 3	258½	261¾	257¼	257½	....	1¼
4	257¾	258¾	253½	254½	3½	
5	253¾	255	243¾	245	9½	
6	247½	251½	247⅜	250¼	....	5¼
7	252	252½	247	247½	2¾	
9	246¼	247¾	241½	243	4½	
10	243	245¼	237⅞	238½	4½	

U. S. Steel—*Continued*

1929, Date	Open	High	Low	Close	Loss	Gain
Sept. 11	238½	243¼	238½	240½	....	2
12	242¾	243	233¾	235	5½	
13	234½	236¼	230½	235½	....	½
14	235½	236¾	233	233¼	2¼	
16	233¼	237½	230⅝	237½	....	4¼
17	238¼	238¼	233½	234	3½	
18	233¾	244¾	233½	244½	....	10½
19	245	247½	241⅛	241¼	3¼	
20	242¼	243¼	234½	234¾	5½	
21	234½	235¾	232	232¼	2½	
23	234	238¾	232¼	237	....	4¾
24	237	241¾	231	231¾	5¼	
25	233	234¼	226½	231½	¼	
26	231	234¼	230	232½	....	1
27	231½	232	223½	226	6½	
28	225	226¼	222	224	2	
30	224	225½	221¼	222½	1½	
Oct. 1	223	224½	218¾	221⅝	⅞	
2	223½	226	221¾	223½	....	1⅞
3	223	224	212¼	213	10½	
4	213	215	206½	210	3	
5	214	217¾	212½	214	....	4
7	218½	220	215¼	219	....	5
8	218½	221⅞	216	218¾	¼	
9	219	220½	216¼	218	¾	
10	218¾	230¾	218¼	230¼	....	12¼
11	230	234	229⅞	230¾	....	½
14	232	233¼	227¼	227½	3¼	
15	228½	229¼	223	223¼	4¼	
16	223	223¼	211½	213½	9¾	
17	213	219⅜	210¼	218½	....	5
18	216	219¼	211¼	211¼	7¼	
19	211	213¾	208	209	¾	
21	212	212	205¼	210½	....	1½
22	212½	216½	212½	212½	....	2
23	213½	214¼	201¾	204	8	
24	205½	207½	193½	206	....	2
25	207	207	203½	204	2	
26	204½	204¾	202¼	203½	½	
28	202	202½	185	186	17½	
29	185¾	192	166½	174	12	
30	177	187	176½	185	....	11
31	190	193½	188	193¼	....	8¼

U. S. Steel—*Continued*

1929, Date		Date	High	Low	Close	Loss	Gain
Nov.	4	185	190⅝	182½	183½	9¾	
	6	181¼	181¼	165	169	14½	
	7	162	179	161½	174½	....	5½
	8	174½	175¾	170½	171	3½	
	11	169¾	170	159½	159½	11½	
	12	158½	163½	152¾	153½	6	
	13	156	160	150	151½	2	
	14	155	162	155	160	....	8½
	15	162	167½	161½	164¼	....	4¼
	18	163½	164½	159¾	160	4¼	
	19	160	166½	160	166½	....	6½
	20	167½	169¼	166⅜	168	....	1½
	21	167	171¾	165½	169¾	....	1¾
	22	169¾	170	165¾	167	2¾	
	23	165¾	167½	164¼	167½	....	½
	26	167½	168	162¼	163¼	4¼	
	27	161¾	163¾	160⅝	162	1¼	
Dec.	2	161½	162½	159¼	161½	½	
	3	162½	166½	162¼	166⅝	....	5⅛
	4	167	169½	165½	167	....	⅜
	5	168	168½	164½	164⅝	2⅝	
	6	165½	172	165¼	171¾	....	7⅛
	7	173¾	183½	173½	182¾	....	11
	9	182¼	189	179	180	2¾	
	10	180½	184½	179¾	181½	....	1½
	11	180½	182⅝	177¼	177½	4	
	12	176½	177¾	166	166½	11½	
	13	167½	172½	164¼	172	....	5½
	14	172	174⅞	169¾	174	....	2
	16	174	174	166¼	166½	7½	
	17	167½	173	166¼	171	....	4½
	18	171	173½	169¾	171		
	19	170	171½	166¼	167¾	3¼	
	20	168	168½	158	162	5¾	
	21	162	164½	162	163	....	1
	23	163	163	156¾	159¾	3¼	
	24	161½	164¼	160½	161½	....	1¾
	26	162¼	166¾	161⅝	166	....	4½
	27	166½	169½	165	165¾	¼	
	28	165½	165¾	163⅝	164½	1¼	
	30	165	167½	164¾	166½	....	2
	31	168	171¾	168	171	....	4½

stocks. I have made a lot of money with it and some traders have paid me as much as $1,000 for this method. I am now giving you the benefit of it in this book.

The rule is this: A stock which shows strong up trend will never close 3 consecutive days with losses. When it does close 3 consecutive days with losses, then it indicates that the trend has reversed, at least temporarily, and the longer a stock runs before making 3 days' reactions, or closing 3 days at lower prices than the previous days, the surer indication it will be that the move is over. The same rule applies when a stock is declining. It will never close more than 2 days with gains or at higher prices. When it does close for 3 consecutive days with a gain, or a balance on the credit side, then it indicates that the trend has reversed, at least temporarily, and may mean a big move up. It makes no difference how high or low a stock goes during the market hours; the price at which it closes shows whether it has made a gain or loss over the previous day and whether it should be placed on the credit or debit side of your ledger. This is one of the most valuable rules for trading in high-priced active stocks. It will help you to get the benefit of the fast advances or declines and enable you to know when the minor trend is changing. Apply this same rule to the weekly and monthly high and low charts.

HOW TO BALANCE U. S. STEEL

From the above table, beginning May 31, 1929, the day that U. S. Steel sold at 162½ and started up, you will notice that at no time did it close showing losses for over 2 days until August 24, when the first top was reached at 260½. The stock closed at 258¼, the same day, a loss of 1¼ points under the previous close. The next day it closed at 254½ with a loss of 3¾ points. The following, or third day, it closed at 254 with ½ point loss, and the fourth day closed at 253¾ with ¼ point loss. The fifth day it closed at 253¼, a loss of ½ point, extreme low being 251⅝, down 8⅞ points from the high on August 24. This low level was reached on August 29. This was your first warning that the stock was getting ready to turn the main trend

down. A rally followed on August 30 and September 3, when U. S. Steel advanced to 261¾, the extreme high. This was only 2 days that the stock closed at higher prices, after having closed with losses over 3 days. The first day it closed with a gain of 3¼ points, as you will see, and the next day with a gain of 1¼ points. After that the main trend turned down, and at no time did the stock close over 2 consecutive days at higher prices or showing a gain, which indicated that the main trend was down all the time until the stock reached 150 on November 13, 1929, which was within ¼ point of the extreme low level of December 22, 1928, from which the last move started. This low was 149¾, and when the stock declined to 150 again, it was a purchase with a stop loss order 3 points under this price. A rally followed from 150 on November 13, but the first time that it showed a gain for 3 consecutive days was November 19, 20 and 21. You will notice that the gain on November 19 was over the previous closing 6½ points. On the following day, November 20, the gain was 1½ points and on November 21 the gain was 1¾ points. This was 3 days' consecutive higher closings, which was another indication that the trend had turned up again. After advancing to 171¾ on November 21, a decline followed to December 2, when the stock sold as low as 159¼. At this time it showed 3 days' lower closing—November 26, November 27 and December 2. However, on the last day the loss was very small, being only ½ point, and in view of the fact that the stock had made a higher bottom than the previous low, after the trend had turned up, it did not indicate any important decline, especially as this 3 days' reversal came after the stock was down more than 10 points from the top of the last rally. From this low level there was a rapid advance and on December 9 U. S. Steel sold as high as 189, but closed the same day at 180, down 9 points from the top on a large volume of sales, which we will refer to later. The closing showed a decline or loss of 2¾ points over the previous day, which was an indication of top for a decline, especially as Steel had failed to reach the top of the October 31 rally, when it sold 193½. It declined to a low of 156¾ on December 23, making a higher bottom than November 13 and failing

to go 3 points under the low level of December 2. If you had bought around the previous low level at 159¼, and placed a stop loss order 3 points under this price, your stop would not have been caught. You will notice that after December 2 Steel was balancing on the gains and losses each day. At no time did it ever show gain for more than 2 consecutive days and at no time did it ever show a decline for more than 2 consecutive days. From the low of 156¾ on December 23, the trend of U. S. Steel turned up again. It advanced to 171¾ on December 31 and closed the year at 171. On January 2, 1930, U. S. Steel advanced to 173¾, and on the same day declined to 166½. However, it never sold lower than 166 after January 2 and worked higher until April 7, when it advanced to 198¾. If it can go through 200, it will then indicate a further advance.

VOLUME OF SALES

In comparing the total volume of sales on the New York Stock Exchange from 1921 to 1929 with the record of former years, we must take into consideration the increase of stocks listed on the Exchange and the increase in shares caused by stock dividends, split-ups and new corporations formed. While this was very large during these years, at the same time the increase in the volume of sales with stocks at the highest prices in history, means that distribution has been the greatest of any time in history and that the reaction or decline which must follow will be in proportion to the volume of sales and the heights to which stocks have risen.

The volume of trading is just the same as a large volume of water. If it is two or three times greater than normal, it must spread over a larger area, break the dams and do great damage. When the flood gates of Wall Street are open and the millions of speculators and investors start to liquidate, all former records will be broken, the avalanche of selling will carry prices lower than the most sanguine pessimist ever dared to imagine.*

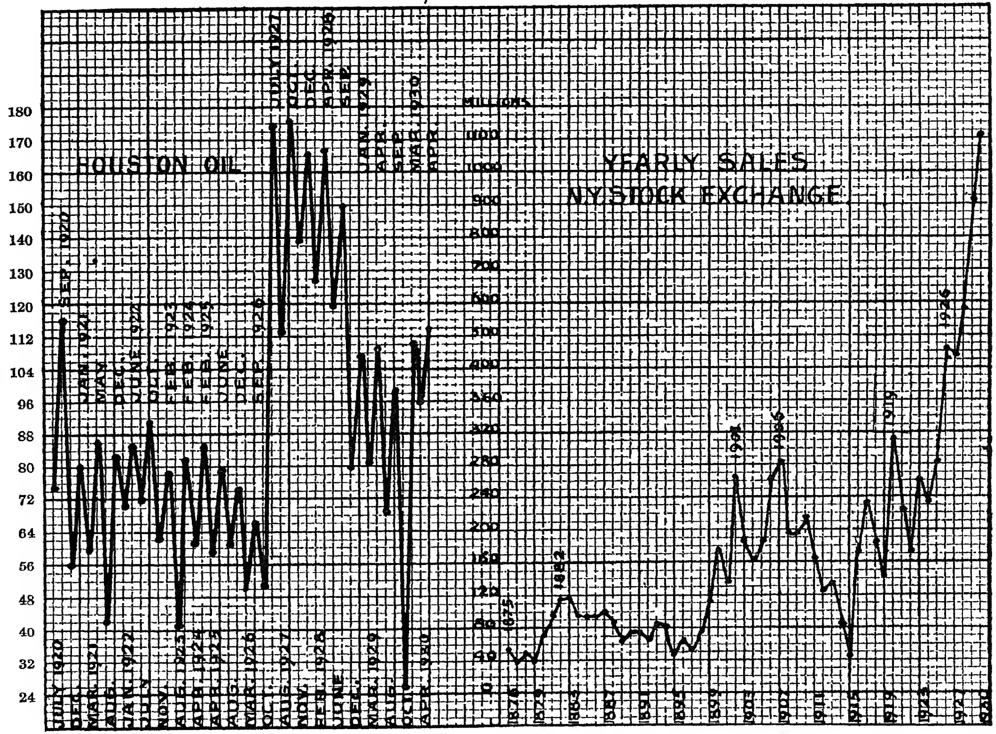
The volume of sales always increases when stocks ad-

*The above was written on August 4, 1929, when Mr. Gann began writing the "Wall Street Stock Selector."

CHART No. 4

Houston Oil Swings
1920–1930

New York Stock Exchange Yearly Volume of Sales
1875–1930



vance. This applies to days, weeks, months and years. When liquidation is going on and has about run its course, the volume decreases. The years of bear markets always show small volume and the years of bull markets always show very large volume.

It is important to study the yearly volume of sales on the New York Stock Exchange. We are showing a chart on page 75 which gives the total sales of stocks traded in on the New York Stock Exchange from 1875 to 1929. This will show you that in 1875 to 1878 yearly sales were only 40 to 50 million shares. The last year that sales dropped to as low as 40 million shares was in 1878. In 1882, when the bull market culminated, sales reached 120 million shares. In 1894 and in 1896, the bottom of a prolonged bear market, sales again dropped to 50 million shares for the year. Then followed the McKinley boom, with the volume of sales getting larger every year until 1901, when sales reached 266 million. From the top of this bull campaign, sales decreased on the reaction or bear market which followed, as they always do in a bear market, getting down to 160 million in 1903. In the bull campaign which culminated in 1906, total sales broke all records again, reaching 284 million. After that the volume of sales was smaller every year until 1914 when they reached 48 million, the lowest since 1896. But the fact must not be overlooked that the Exchange was closed for over four months at the beginning of the World War. This again shows that when a market is working lower, the volume of sales is very small in the last year of a bear campaign, which shows that liquidation has run its course. After 1914, sales increased and in 1919 broke all records, reaching 310 million shares. In the bear campaign which culminated in December, 1921, they dropped to 171 million. After that sales increased every year on a greater scale than ever before until 1929, when sales were the largest in history, 1,124,000,000 shares, compared with 171,000,000 in 1921 when the bear market culminated. During the week ending November 2, 1929, the total volume of sales was 43½ million shares, almost as much as the total volume for the entire year of 1914. Such an enormous volume of sales as this in one year, especially

when we consider that the sales for 1928 were 925 million shares, approaching the billion share mark, means that the public bought stocks on a larger scale than ever before and that somebody supplied these two billion shares of stocks in the last two years of the bull market. The total volume of sales during September, October and November, 1929, was 303,230 shares, just a little over one-fourth of the total sales for the year 1929. While there was heavy liquidation and big declines in the panic, this volume of sales does not overbalance the enormous volume of trading for the two years past. It indicates that many stocks will be in a bear market for several years to come and that the volume of sales will be very much smaller before the bear market ends and the next bull market starts. A study of the volume for each week, month, and year on the individual stocks will help you in determining the trend.

U. S. STEEL VOLUME

It is always important to watch the volume of sales daily, weekly and monthly and consider the total shares outstanding of the stock that you are watching. When U. S. Steel sold at 162½ on May 31, 1929, it was down 30 points from the top of March 1, 1929. When it was selling around the top at 192 to 193, the volume of sales daily was running from 125,000 to 250,000 shares. When it reached the low of 162½, the daily volume of sales was running 25,000 or 75,000 shares, showing that the selling pressure was not heavy and that the stock was being accumulated. When Steel crossed 180 on June 21, 1929, note how the volume of sales increased to over 100,000 shares or more daily. Then on July 8, when it crossed 193, getting into new high territory, sales were 194,000 shares and the volume continued large until July 31, when sales reached 208,000 and the stock closed at 209½, the highest closing price up to that time. August 8, sales 295,000; August 9, sales 263,000; August 12, sales 337,000; August 13, sales 488,700, which was the biggest volume of sales of any day in the year; August 14, sales 296,000. Note that for August 12, 13, and 14, the total sales for the 3 days were

1,121,800 shares, with the price up to 245, advancing in 3 days from 219 to 245 or a gain of 26 points. Notice that from August 19 to 24, the day when the first top was reached at 260½, the sales during these 6 days were 814,200 shares, with the stock up from 238 to 260½, or a gain of 22½ points, on 814,200 shares. From this top a decline followed, which showed a reversal in trend. Note the volume of sales from August 26 to 29, four days, were 247,400 shares, down 9 points. This volume of sales was not yet heavy enough to show that the big move was under way, but it was enough in view of the fact that the stock had closed 4 consecutive days with a loss, which indicated that it would be a short sale on a rally. It only rallied 2 days before the trend turned down again. On August 30 and September 3, the stock advanced 10 points to 261¾. The volume of sales for these two days was 240,200 shares, less on the rally than it was on the decline, showing that the buying power was running out and that the insiders were selling and that the public was buying. The last rush up to August 24 was no doubt short covering in large volume and the public bought. Then when the second rush up came, shorts covered again but not so much and the public bought but not so heavily because they were already loaded up. .

From September 3, 1929, note how the volume increased each day on the down side. From September 19, the top of the last rally, to October 4, the total sales were 2,105,800 shares. Note September 19 high 247½, October 4 low 206½, down 41½ points. With sales of over two million shares, it showed that there was heavy liquidation and that the main trend was down. From October 4 a 6-day rally followed, from October 5 to 11. The stock went up from 206½ to 234, an advance of 27½ points from the low, on sales of 846,500 shares. The volume, while fairly heavy, was not enough to overbalance the selling pressure and no doubt most of it was short covering and public buying. People thought the stock was cheap enough after it was down 50 points and bought it, making a mistake. After the trend turned down again on October 11, Steel continued under heavy liquidation until October 29, the stock declining from 234 to 166½, making a decline of 67½ points on

total sales of 2,776,100 shares. Note the volume on October 23 and 24 was 668,000 shares for the 2 days, and again on the panic days, October 28 and 29, total sales 592,000 shares. This indicated heavy selling, but liquidation had not run its course. A 2-day rally followed, October 29 to October 31, and Steel advanced 27 points. The volume in these two days was 204,400 shares. This volume was too small to hold the stock up. It indicated only short covering and a small amount of buying, but the manipulators were running the stock up fast to fill these orders. From October 31 to November 13 Steel declined from 193½ to 150, down 43½ points; sales 732,400 shares. This volume indicated that liquidation had run its course, being a smaller number of shares than at the time when Steel sold down to 166½. After November 13 the volume was smaller, sometimes falling below 50,000 shares per day. This was an indication that liquidation was over and that the insiders were only buying the stock when it was offered but not bidding for it. From December 6 to 9, U. S. Steel went up 29¾ points on sales of 599,600 shares. This was short covering. Note that on December 9, the day the stock reached top, the sales were 355,500 shares and it closed down 9 points from the top. If this had been good buying Steel would have closed with a gain on the day and near the top, especially with such heavy volume of sales. From December 9 to December 23, Steel declined from 189 to 156¾, down 32½ points, on sales of 1,260,000 shares. This indicated the last wave of liquidation, probably by people who got scared because they had held on too long after the first rally came, then decided that Steel was going below 150, so they sold out on this second wave. But Steel made a higher bottom, indicating that the stock was well bought and that support was forthcoming on the decline. On December 23, when Steel reached 156¾, the total sales for the day were only 111,800 shares, and on November 13, 1929, the day that extreme bottom was reached, the sales were only 97,500 shares. These small volumes of sales at the extreme low of a big decline indicated that liquidation had run out and that there was not much more stock for sale.

It is important to add up the total volume of sales that

a stock makes in going from an extreme low to an extreme high. On December 22, 1928, the low on U. S. Steel was 149¾, and it worked higher all the time from this level until September 3, 1929, when it reached 261¾. The total sales during this period were 18,895,000 shares. The total outstanding shares of U. S. Steel are only a little over 8 million. Thus, in this advance the total outstanding shares changed hands twice. From May 31, 1929, when the stock sold at 162½ the last time, being down 30 points from the high of March, it advanced to 261¾ on September 3, 1929, being up nearly 100 points. The total sales during this period were 7,615,100 shares, almost as much as the entire capital stock outstanding. Then, during the period from September 3, 1929, when the stock made top at 261¾, to November 13, 1929, when it reached a low of 150, the total sales were 7,365,300 shares. Note how near these two total volumes of sales came being equal. This was another good indication for bottom, when the number of shares on the decline equalled or nearly equalled the number of shares on the advance. However, when we consider the total number of shares traded in from 149¾ to 261¾ and then back to 150, there is a vast difference because the comparison of 18,895,000 shares against and 7,365,300 on the decline, covering the same number of points, indicated manipulation on the way up and that there must have been a large number of wash sales in order to attract the public and get them to buy stock. There are always less wash sales on a decline than there are on an advance. Actual sales and real liquidation take place on declines while a lot of stock is bought and washed on the way up. It requires heavy buying to attract attention in putting stocks up, but when liquidation gets under way it is not necessary to do anything but just let the public sell and get out.

If you will study the daily, weekly and monthly volume of sales on culminations of each different stock, you will find it very helpful in judging when it is in a strong or weak position.

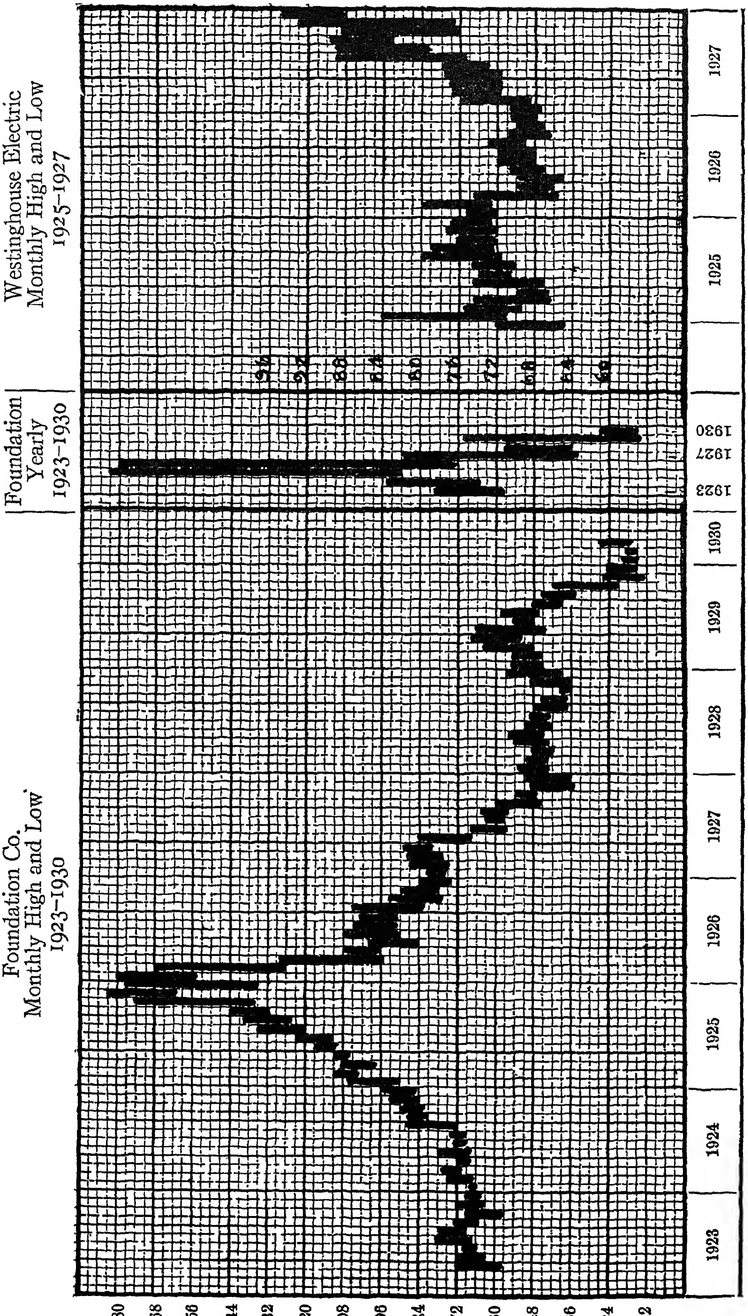
WHEN A STOCK IS IN EXTREMELY WEAK OR STRONG POSITION

I have often said that a stock was in such a strong position that it could not react. This occurs when a stock has advanced and crossed high levels made many years previous. Then, investors who have carried the stock for years, sell out. People who know that the stock is going higher, buy it all at high levels and the floating supply becomes scarce; then a fast runaway move takes place. For example, American Can crossing 68 in 1925, the highest in history up to that time, continued to advance with very little reactions. American Smelting made a high of 174½ in 1906; then, in 1925, when it crossed this level, the investors all sold out and the professional traders went short. The stock was in such a strong technical position that it could not react and advanced another 100 points. When a stock is in this position, you should never sell it short. It is safer to buy than it was at lower levels. It takes nerve to buy stocks at extreme high levels but nerve is what helps you to make money. Certainly somebody knew that American Smelting was worth more money than 175, or they would not have bought all of the stock at such a high level. The fact that such a long period of time had elapsed from the time it sold there before showed that there was some good reason for it to go still higher.

A stock gets into an extremely weak position, where it cannot rally, except very small rallies, after it has had a prolonged advance. Traders and investors gain confidence in the stock and buy it on every little reaction, until finally the stock is well distributed and overbought. Then, when a decline starts, there are no buying or supporting orders on the way down and when investors and traders, who have bought at higher levels, start selling out, the stock gets weaker all the time and rallies get smaller.

For example: Foundation Company had a big advance in 1925, made top at 183¾ in November. There was a big period of distribution, as you can see from the chart on page 82. After it broke out of the zone of distribution, it started down and worked lower while other stocks were

Chart No. 5



Foundation Co.
Monthly High and Low
1923–1930
Foundation
Yearly
1923–1930
Westinghouse Electric
Monthly High and Low
1925–1927
180
168
156
144
132
120
108
96
84
72
60
48
36
24
12
96
92
88
84
80
76
72
68
64
60
1923
1924
1925
1926
1927
1928
1929
1930
1923
1927
1930
1925
1926
1927

advancing. After it had been declining for a long time, and investors and traders had been holding on and hoping for a rally, some of them buying on the way down, it finally broke 75 and everybody started to sell because they had lost hope. Then, after being down over 100 points, the stock was in such a weak position that it could not rally. It was a safe short sale at this level and profits could have been made just as quickly as if you had sold it short around 180. It declined to 13 in November, 1929.

Another stock which got into such a weak position that it could not rally was Advance Rumely after the pool collapsed. International Combustion Engineering was another stock that was overbought and after it had declined 50 points was in such a weak technical position that the rallies were much smaller than when it was 50 points higher.

Don't be afraid to sell stocks after they have had big declines because they are in a weaker position and safer short sales than when they are at higher levels.

DETERMINING RIGHT TIME TO SELL

Many traders get into a stock right, but get out wrong. They may have bought right, but they do not know when to sell, or what rules to follow to determine when the stock has reached top. Suppose you get in a stock after it has gone through a long period of accumulation, like some of the stocks which we show the yearly charts on, such as U. S. Cast Iron Pipe, Crucible Steel, and Wright Aero. You want to get the maximum profits once you get in right and there are certain signs that you must watch in order to know when it is time to sell. Stocks in the early stages of a bull market always creep, or move up slowly, having many reactions, but when they come to the finish or final grand rush and reach the boiling point, there is a fast move up. Your rule should be: Wait to sell your stock until it boils, so long as it is moving in your favor and you can follow it up with a stop loss order. Most stocks that are very active finish a bull campaign with a fast advance, lasting 6 to 7 weeks, sometimes as much as 10 weeks, moving very fast. At these times the volume is usually extra large, which in-

dicates that there is big buying and selling going on and that the stock is being advertised for distribution purposes. As a rule, a fast advance of 6 to 7 weeks marks the culmination of an upward swing, just as a fast decline of 6 to 7 weeks especially on heavy volume, when there is a panicky decline, marks the end of a bear campaign, when you should cover shorts and wait.

For example: On May 31, 1929, the last low on U. S. Steel was 162½. A big move started and at no time did the stock react more than 7 points until August 14, when it reached a high of 245, up 82½ points. It reacted to 235, down 9 points, the first sign of the end of the upward rush, after over 10 weeks' fast move up. However, it did not close 3 days lower at any time (see Analysis, page 67), until it sold at 261¾ on September 3, up nearly 100 points in 3 months. One of our rules is that when a stock has advanced 85 to 100 points in a short time, or declined this much, you should watch for top or bottom and get out. If a trader had been following U. S. Steel up all the way from the bottom with a stop 10 points away, his stop loss order would never have been caught until after Steel sold at 261¾; then if he got out and went short on a break of 10 points, he could have followed down and made big profits. Steel had a fast move down from September 3, just the same as it had a fast move up, declining 111 points on heavy volume from September 3 to November 13, a period of less than 12 weeks. From the last rally point, October 11, to November 13, Steel declined from 234 to 150, a decline of 84 points in less than 5 weeks, which would have been a warning to cover shorts and wait or buy for another rally, knowing that these fast, panicky declines cannot last any more than the final grand rush on the up side can last. They always mark the end of a campaign one way or the other.

Vanadium Steel is another example of one of these fast moves up. The last low on Vanadium was 65½ on February 25, 1930; advanced to 124½ on March 25, up 59 points in 4 weeks and up 87 points from November 13, 1929, low. Making top on heavy volume indicated a reaction to follow, especially after being up 87 points in so short a time. It was moving up too fast and the last advance was

the result of short covering. Vanadium reacted quickly to 104, down over 20 points in a few days. Remember that sharp reactions follow from tops where there is a final grand rush after a fast move up and the same way in most cases where a stock is very active after a fast move down. The first rally is very swift and runs a considerabe number of points before a secondary reaction and a settling period takes place. Therefore, watch for these fast moves both up and down to sell out long stocks and cover shorts, but remember don't buck the trend, place a stop loss order, or get out quickly if a stock starts moving against you. These fast moves up and down, which many stocks have, show how silly it is for a trader to buy or sell against the trend and expect to put up margin and hold on. These fast moves are the moves to pyramid on and not to be bucked and held on against the trend.

SIDEWAYS MOVEMENTS

You often hear traders say: A stock can only go two ways, up or down, and that it should be easy to keep right on the market. This statement is not exactly correct. If stocks always moved straight up or straight down, it would be easy to make money, but stocks often have sideways moves. While they are in a movement of this kind, they hold in a narrow, trading range sometimes weeks or months, getting neither higher nor lower than a previous top or bottom. Moves of this kind fool traders many times and cause losses. A stock starts up and they think it is going higher, but stops, reacts, gets back around the old bottom, and they think it is going lower and sell it short, but it stops and goes up again. When a stock is in a position of this kind, the only thing to do is to leave it alone until it breaks out of an area one way or the other. After it gets out of the sideways movement, which is always accumulation or distribution, and breaks into new high or new low territory, then you can trade in it with some certainty of having determined the correct trend.

Jewel Tea.—This is a good example of a sideways movement, as you can see from the monthly high and low

Chart No. 6

Jewel Tea Monthly High and Low. 1920–1930

Southern Railway
Yearly High and Low
1901–1930

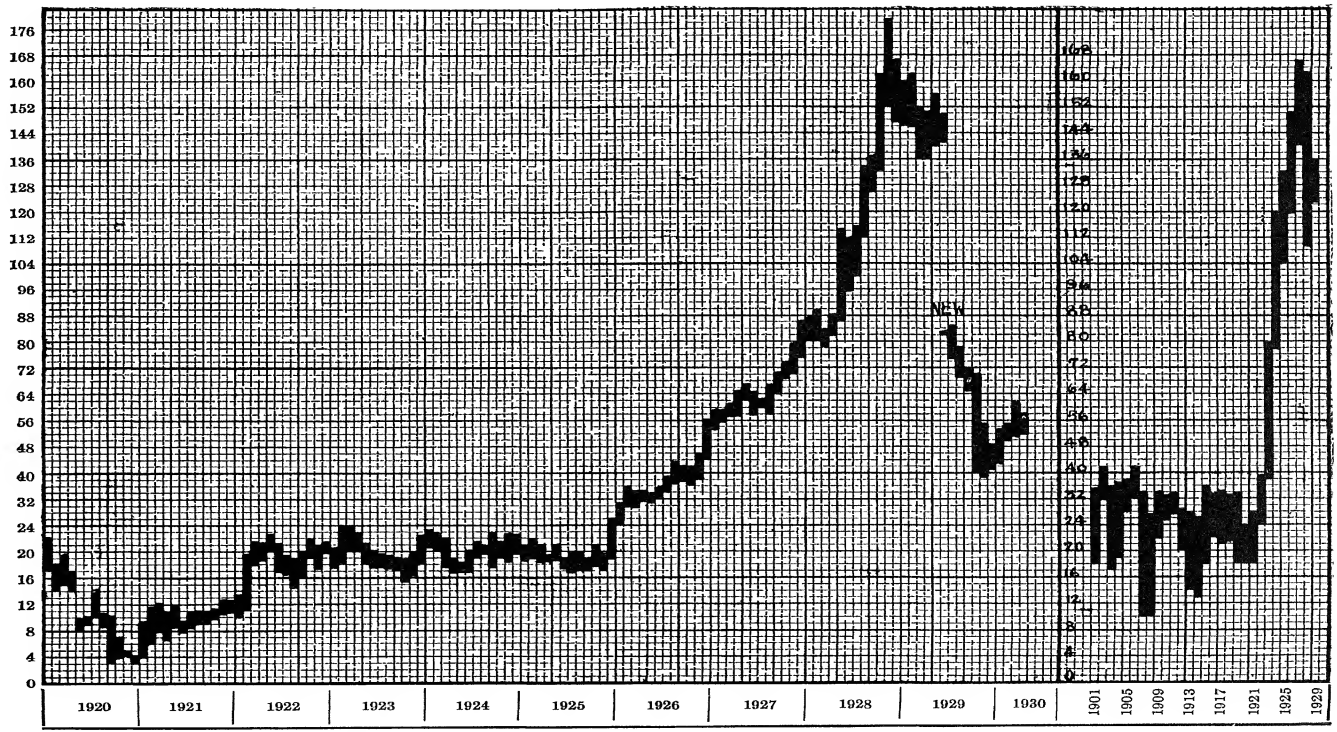


chart on page 86. The advance started in January, 1922, and reached top at 22 in May, 1922: declined to 14 in August, 1922; advanced to 24 in February, 1923, failing to get 2 points above the high of May, 1922; declined to 15¼ in October, 1923; advanced to 23 in January, 1924; declined to 16½ in April; advanced to 22½ in August and December, 1924; declined to 15¾ in July, August, and September, 1925. Then finally in December, 1925, the advance started and it crossed all the highs from 1922 to 1925. From this chart you can see that the stock was in a sideways movement during 1922, 1923, 1924, and 1925. It never broke under the low of August, 1922, and never advanced 3 points above the high of May, 1922, during these 4 years. The narrow fluctuations over this period would have fooled traders many times, but the trader who waited for the stock to break the low made in August, 1922, or advance 3 points above the high of May, 1922, made money when he did make a trade and made it quickly because he would not have bought or sold it before the big move started. When the stock did cross these levels and showed which way it was going to move, the trend continued up without a change until it advanced to 179 in November, 1928.

Leave stocks alone when they are in a sideways movement and always use the rule of waiting until they cross 3 points above the old top level or break 3 points under the old low level before making your commitments. Following this rule will save you many months and weeks of waiting and prevent losses, because if you wait until the stock gets into new territory before you get in, you certainly will have a better chance to place a close stop loss order, which will protect you or get you out in case the stock is not going to move, while if you make a trade when it is in a sideways movement between two points, your chances for making profits are much smaller. These sideways moves are periods of rest and preparation for a new move one way or the other way.

BUYING AND SELLING AT EVEN FIGURES

The human mind follows the trend of the least resistance. From the time of primitive man, we have learned to

count, figure, and buy and sell. Traders often make the mistake of placing buying or selling orders at even figures. A stock will sometimes advance to within ¼ or ⅛ of an even figure and go near it several times and never make it. Why? Because there is so much selling at the even figure that the pools or insiders will not take the stock before it has a reaction which will shake out people who are waiting to get out at an even figure. It is the same about buying. Traders see a stock selling around 55 or 56 and put an order in to buy on a reaction at 50. The stock declines to 51, 50¼, or 50⅛ and they fail to get their orders executed because there were so many buying orders at 50 and the demand was so good that the insiders, knowing these orders were there, would not sell the stock at 50, but supported it just above this level.

Even figures not only apply to 25, 30, 35, 40, 45, 50, 55, 60, 65, 70, 75, 80, 85, 90, 95, 100, etc., but to even figures at other prices, as 58, 62, 73, 86, etc. Put your buying and selling order ⅛ or ¼ below or above the even figure that you decide to trade at. If you want to buy at 62 and the stock is close to that price, put your order at 62¼. If you want to sell at 62, put your order at 61⅞, or if you see the stock hesitating around this price, sell at the market. I never believe in limiting orders. Put the order at the market when it reaches near your figure to buy or sell. You will save money by doing so.

U. S. Steel Trading Levels.—A review of U. S. Steel from November 16, 1928, to November 13, 1929, will show you something about Resistance Levels and how the stock is influenced by buying and selling orders at even figures or at certain points.

On November 16, 1928, U. S. Steel, high 172½. There was a quick reaction from the top and another rally. On December 8, 1928, the stock advanced to 172¼. Evidently there were a lot of selling orders around 173, the even figure, and both times the stock stopped at 172½ and 172¼. The traders who had selling orders in at the even figure could not get out and a sharp decline followed. On December 17, 1928, the stock sold at 149¾. In a case of this kind, no doubt traders had stop loss orders in at

150. These orders were caught at the even figure and the stock sold at 149¾ and that was the end of the decline. Probably other traders when they saw U. S. Steel break to 149¾, placed buying orders at 149 or 148, and failed to get the stock. Traders who wanted to buy around 150 should have placed their orders at 150¼ or 150⅛; then they would have been sure of having their orders executed. A fast rally followed from this bottom and on January 25, 1929, Steel reached a high of 192¾. This shows you that when it crossed the high levels at 172½ and 172¼, it went right on up 20 points higher. Traders who placed orders the next time to sell at the even figures, 173 and 174, had them executed promptly and were wrong because the stock went higher when it finally did reach these even figures. After selling at 192¾, a sharp decline followed, and on February 16, 1929, the stock reached 168¼. The market was very active at this time and a rally followed and on March 1, it advanced to 193¾, getting just one point above the high of January 25, both times missing the even figure by ¼ point. In the panicky decline which culminated on March 26, 1929, Steel declined to 171½. Notice that this was around the top of November and December, 1928. Another rally followed and it made top on April 12 at 191⅞. This was the third top. The first top was 192¾, the next at 193¾ and the third at 191⅞. You might ask why Steel stopped at this level so many times. My answer would be that there was a lot of stock to sell around 194, 195 and on up to 200. The insiders knew this and they would not take the stock at this time. It got up just close enough to the selling orders to make traders hold on; then when a big decline followed, traders who tried to get out at these figures became disgusted and sold out on the decline. On May 31 Steel declined to 162½. Notice that it broke the lows of February 16 and March 26, 1929, and naturally traders would get scared and sell out. Stop loss orders were no doubt caught on this decline, because it was 30 points down from the top. From this low level the last final grand rush in Steel started. On July 5, 1929, it sold at 200. Notice that this time it went right on through the tops at 191⅞ to 193¾. So all the people who had orders in

to sell from 195 up to 200 were able to get out. However, the stock stopped exactly on the even figure, 200, and only reacted on July 11 to 197½; then advanced on July 13 to 204, showing that somebody was taking all the stock offered at 200 or above. There is always a lot of stock sold at these round figures and many people go short at prices like 100, 200, 300, etc. On July 16 there was another reaction to 198. Notice that this bottom was ½ point above the level of July 11. This indicates that if people had orders in to buy Steel at 197½, 197, or just around the last bottom, they were not able to buy it. After Steel crossed 200 and advanced to 204, it indicated that it was going very much higher because somebody was taking stock at the highest level in history and there was a large volume of trading. From 198, the last straight, fast move up took place; reactions were very small and on August 24 Steel reached a high of 260½; had a quick reaction on August 29 to 251½ and a final move up to September 3, when the highest price in history was reached at 261¾, getting only 1¼ points higher than the top of August 24. No doubt there were orders in to sell Steel at 262 and on up. That is why it stopped at 261¾. A fast decline followed and on November 7, Steel reached a low of 161½. Notice that this was one point under the low of May 31. Probably traders had stop loss orders in at 162, which were caught, and forced the price one point lower than the previous low level. Then there was a quick rally and on November 8 Steel advanced to 175¾. Then followed the final decline and heavy liquidation, which culminated on November 13, when Steel sold at 150. This time it stopped exactly on an even figure. Notice that the low on December 17, 1928, was 149¾. It is always important to watch these old Resistance Levels or the places where important moves start, as the stock will often be supported the first time and sometimes several times around these old levels. Again the man who wanted to buy Steel around 150 should have placed his order at 150¼ and it would have been executed.

My rule is to place a stop loss order 3 points under these old levels, but it is well to always place it ⅛ or ¼ above or below the even figures.

SELLING STOCKS SHORT AT LOW LEVELS

Many traders think that it is dangerous to sell stocks short that are selling at 75, 50 or 25. It is never dangerous to sell a stock short so long as the trend is down. I will give you an example.

International Combustion Engineering.—The high on this stock in February, 1929, was 103. It had a sharp decline in March and reached 61 and in May rallied to 80. Now, suppose the trader, when it was selling at 80, had said that it was too low to sell short because it had been as high as 103. In the latter part of May it declined to 56 and in July rallied to 76, failing by 4 points to get back as high as it was in May. When it rallied to around this level it was a cinch to sell it short with a stop above the high level reached in May. It began declining and when it reached 50, breaking under the low level of May, it was again a good short sale, and again a good short sale at 25 or any other place on the way down. It was a good short sale at 15 because in December it declined to 5. At no time after it left 76 in July did it ever show anything but down trend. Therefore, the correct way to trade would have been to sell it short at any price.

You must learn to forget about the high or low price at which a stock has sold. I have not picked out International Combustion Engineering as a lone example in the 1929 decline. There are hundreds of others. Advance Rumely is another stock that sold up to 105 in May, 1929, and declined to 7 in November, 1929. I could pick out many other stocks for you that never sold higher than 25 or 30 during 1929, and declined to 15, 10, and 5. A stock is a cinch short sale at any price so long as the trend is down, and it is good to buy at any price so long as the trend is up.

DANGEROUS SHORT SALES

The stocks that are most dangerous to sell short are those with a very small volume or those that have a small floating supply. These stocks are closely held and can be easily cornered. It is certainly easier to cause a bigger ad-

vance in a stock with one million shares outstanding than it is in a stock with 10 to 50 million shares. Pick the stocks with small volume of shares for purchases and when you sell short, sell the stocks with the largest volume of stock outstanding.

Some of the stocks with a small number of shares outstanding which have had big advances are, Baldwin Locomotive, Crucible Steel, Houston Oil, U. S. Cast Iron Pipe and Vanadium Steel.

BUYING LOW-PRICED STOCKS LATE IN A BULL CAMPAIGN

When stocks have gone up for many years it is only natural that traders begin to pick stocks to follow, which have not advanced. They pick low-priced stocks that they think will go up because other stocks have gone up. This is one of the greatest mistakes that could be made. If a bull campaign has run for several years and general indications are that it is nearing the end, that is, within the last 3 to 6 months of the end, it is very dangerous to buy low-priced stocks expecting them to move in the last section of the bull campaign. While some low-priced stocks are late movers, as a rule, the high-priced stocks are used to finish in the final grand rush of a bull campaign. Only buy low-priced stocks when they show by your chart that they have advanced into new high levels and are in strong position, otherwise as long as they are in a narrow trading range and inactive, leave them alone. The following list of low-priced stocks not only failed to advance in the latter part of the 1929 Bull Campaign, but they went down while other stocks were going up, and traders who bought them suffered heavy losses: Ajax Rubber, American Agricultural Chemical, American Beet Sugar, American La France, American Ship & Commerce, Armour A, Booth Fisheries, Callahan Zinc & Lead, Consolidated Textile, Dome Mines, Electric Boat, Guantanamo Sugar, Jordan Motors, Kelly Springfield, Kelvinator, Louisiana Oil, Loft, Moon Motors, Omnibus, Panhandle Producers, Park Utah, Reo Motors, Reynolds Spring, Snider Packing, Submarine Boat, Ward Baking B, Wilson & Company.

HOW TO DETERMINE TEMPORARY LEADERS

If you will get the daily paper and look over it every day after the market closes and then pick the stocks which had the largest volume of sales that day, you will be able to determine the ones that are the leaders at that particular time and will be for at least a few days to follow, or longer. Watch the stocks that have very small volume for a long period of time and remain in a narrow trading range. Then as soon as the volume increases, watch which way the stock starts to move and go with the trend. When a stock suddenly becomes very active on a large volume of sales, you can consider that at least it will be a leader temporarily and should go with it.

SLOW MOVING STOCKS

There are certain stocks that move slowly for a long time, but as long as the trend is up, you can expect this class of stocks to finally finish with a fast move up. It pays to wait to buy or sell until the last fast move or final grand rush, up or down, comes. The big money is made in these fast moves, some of which last 3 to 10 days, others much longer. As a general rule, after a stock has had a fast move up or down for 6 to 7 weeks, as the case maybe, you can expect it to change trend, at least temporarily. For example, note the moves in U. S. Steel, U. S. Industrial Alcohol and Timken Roller Bearing in July and August, 1929. All of these stocks were late movers and reached the boiling point in August.

WHY STOCKS GO TO EXTREMES

The market does not fool you. You fool yourself. Stocks go to extreme high or low levels, or, in other words, they go too high or too low. The reason for this is that traders wait until stocks have had big declines and they have big losses; then they all sell at once and stocks are carried below normal or intrinsic values. Again, in the last stage of a bull market, when everybody gets over-optimistic

and have made big profits, they increase their trading and buy in large volume regardless of price. Shorts, after suffering losses, get to where they are afraid to sell short, and the market has a wild, runaway advance, which eliminates the short interest and increases the long interest and leaves the stocks in a weak technical position, from which a sharp decline follows.

WHY STOCKS MOVE SLOWLY AT LOW LEVELS AND FAST AT HIGH LEVELS

The higher a stock goes, the faster the move and the bigger the opportunities for profits. The reason for this is that most of the public's buying and selling is at low levels. After a stock has been at a low level, say 25 or lower, for a long number of years and the public has bought a large amount of it, it advances to around 50 and people buy more. When it reaches 100 or around this figure, they either all sell out or the public gets overconfident and comes in and buys so much stock that it has a big decline. When the public takes profits, the insiders and strong financial interests have to buy the stock. They buy it because they know that it is worth more and going to sell higher later. When the public selling is all absorbed, it is easier for the insiders to mark the stock up fast, because they do not encounter heavy selling. When a stock gets around 180 to 200, there is always a lot of short covering, and the pools, who bought the stock at lower levels, sell out and take profits. The general public does not trade in stocks above 200 per share. Therefore, after a stock crosses this level, it is a fight between the professional short sellers and the strong financial interests who are backing it. A stock can move from 200 to 300 in less time than it takes it to move from 50 to 100, because the people who are trading in it are large traders and buy or sell large amounts. Of course, every stock must reach a level where the insiders will sell enough stock to check the advance and turn the main trend down. Then comes the big opportunity for the man who will sell a high-priced stock short, but he must wait until his charts show that the main trend has turned down.

Low-priced stocks, or stocks selling below 50 and 25, sometimes have a very fast move down. A stock like New Haven, which at one time sold at 280 and gradually worked lower, had some of its fastest declines below 100 and also some sharp, swift declines below 50. It finally had a wide-open break after it was selling at 25. The cause for this was selling by those who had held the stock for years and saw it work lower year after year and their capital shrink, with no dividends on the stock, and they gave up hope and sold out. A large majority of stockholders sold New Haven between 20 and 12. Then, after a long period of dullness and accumulation, New Haven started to come back and advanced from 10 to 132, in October, 1929.

TIME LIMIT TO HOLD STOCKS

When you make a trade, it must be for a good reason, and for possibilities of profit in a reasonable length of time, but remember that you can be wrong, and if the stock goes against you, the loss must be stopped. You can be wrong also when the stock does not go against you. If it remains stationary, you are losing interest on your money, and this is an actual loss, because with that same amount of money, you can grasp a new opportunity and make money. The average stock, after it shows an indication of going up or down, should continue to move within 3 weeks, if it is going to move at all. Therefore, about 3 weeks' time is the limit that you should wait for a movement to start. If it does not start, get out and look for a new opportunity. Some slow moving stocks like investment issues, will hold 3 to 4 months in a trading range. Therefore, in some cases, it pays to wait 2 or 3 months for a move to get under way. You must remember that the longer you hold a stock that does not move, the more your judgment gets warped, because you are holding on hope. Study the facts and get all of the reasons why the stock is not moving, and if you do not find some good reason why it should move in a limited length of time, do not hold it; get out. If you find some good cause or reason, which you think should move the stock in a limited length of time and it fails to work, there is some-

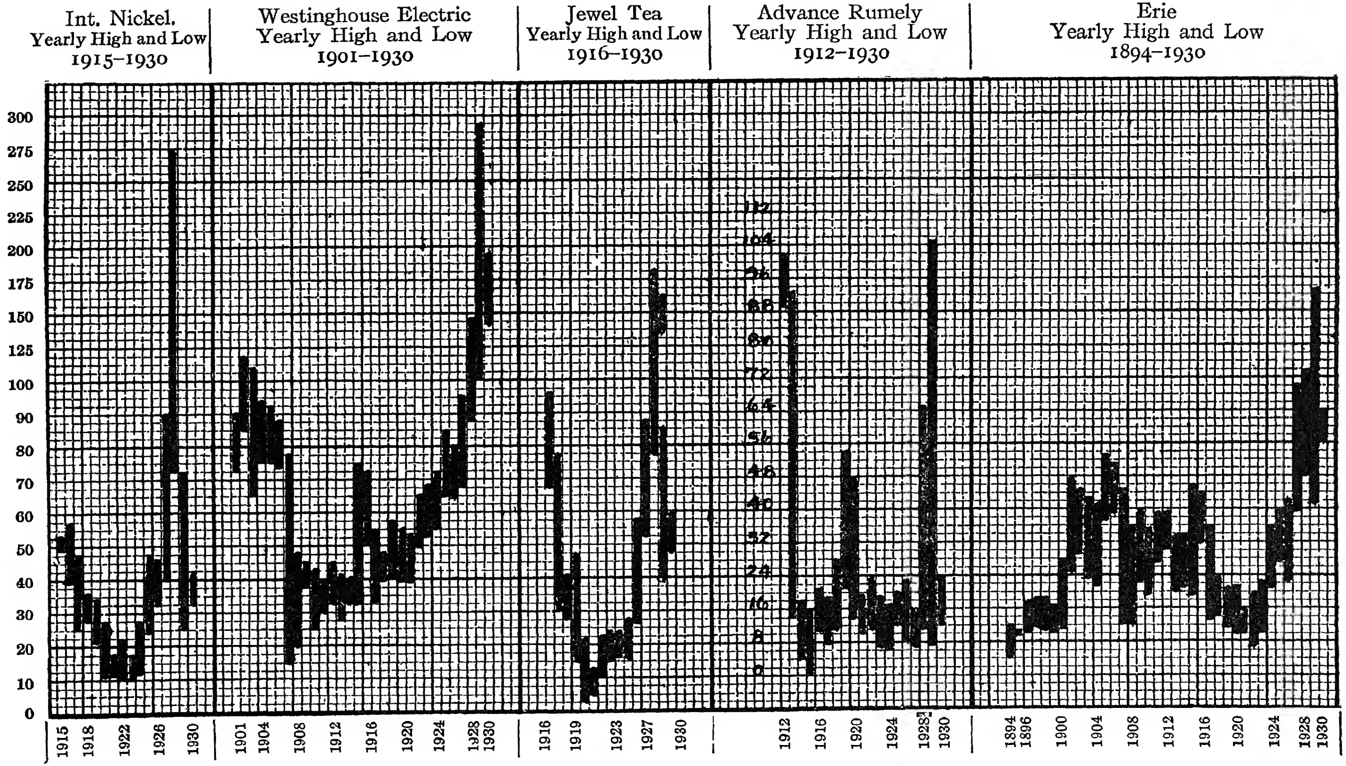
thing wrong and the stock may move in the opposite direction. You should make it a rule that on the first indication of being wrong, you should immediately get out of a stock. Your judgment is always much better out of the market than when you are in, because you have no hopes and fears.

MANIPULATED STOCKS

Many times stocks are advanced far beyond their intrinsic values simply because some pools can control the stocks for a short time and manipulate them beyond all reason, then a collapse follows. Therefore, the trader should know what to do if he happens to get caught in a stock of this kind, because there is just as much money in trading in a stock that is manipulated, as long as it is going up, as there is in one that is advancing on merit, but the object is to get out at the right time and always go with the trend.

Advance Rumely.—This was a stock that had a phenomenal advance in 1928 and 1929, which was not warranted by the earnings and was mostly manipulation. However, the investor or trader who followed the chart and indications, could have made a lot of money in it. A review of its past history would have helped the trader to know when to sell. (See chart on page 97.) 1912 high 101; 1915 low $1.00 per share; 1919 high 54; 1924 low 6, which showed that this stock was a late mover and made bottom several years later than 1920 and 1921 when most of the stocks made bottom and started up. From 6 in 1924, Advance Rumely rallied to 22 in 1926. It declined in 1927 to 7, which was a buying level, because it was down within one point of the 1924 low. A big advance followed from this low price, and in April, 1928, it crossed 16, which showed higher prices and was an indication that the trader should buy more stock. In the same month it crossed 22, the high of 1926, getting into a strong position as it was above all of the highs since 1921. In September, 1928, advanced to 64; then followed a decline to December, 1928, when the stock sold at 31. From this level a rapid advance followed and in about 5 months' time the stock advanced to 105,

CHART NO. 7


Int. Nickel.
Yearly High and Low
1915–1930
Westinghouse Electric
Yearly High and Low
1901–1930
Jewel Tea
Yearly High and Low
1916–1930
Advance Rumely
Yearly High and Low
1912–1930
Erie
Yearly High and Low
1894–1930
300
275
250
225
200
175
150
125
100
90
80
70
60
50
40
30
20
10
0
112
104
96
88
80
72
64
56
48
40
32
24
16
8
0
1915
1918
1922
1926
1930
1901
1904
1908
1912
1916
1920
1924
1928
1930
1916
1919
1923
1927
1930
1912
1916
1920
1924
1928
1930
1894
1896
1900
1904
1908
1912
1916
1920
1924
1928
1930

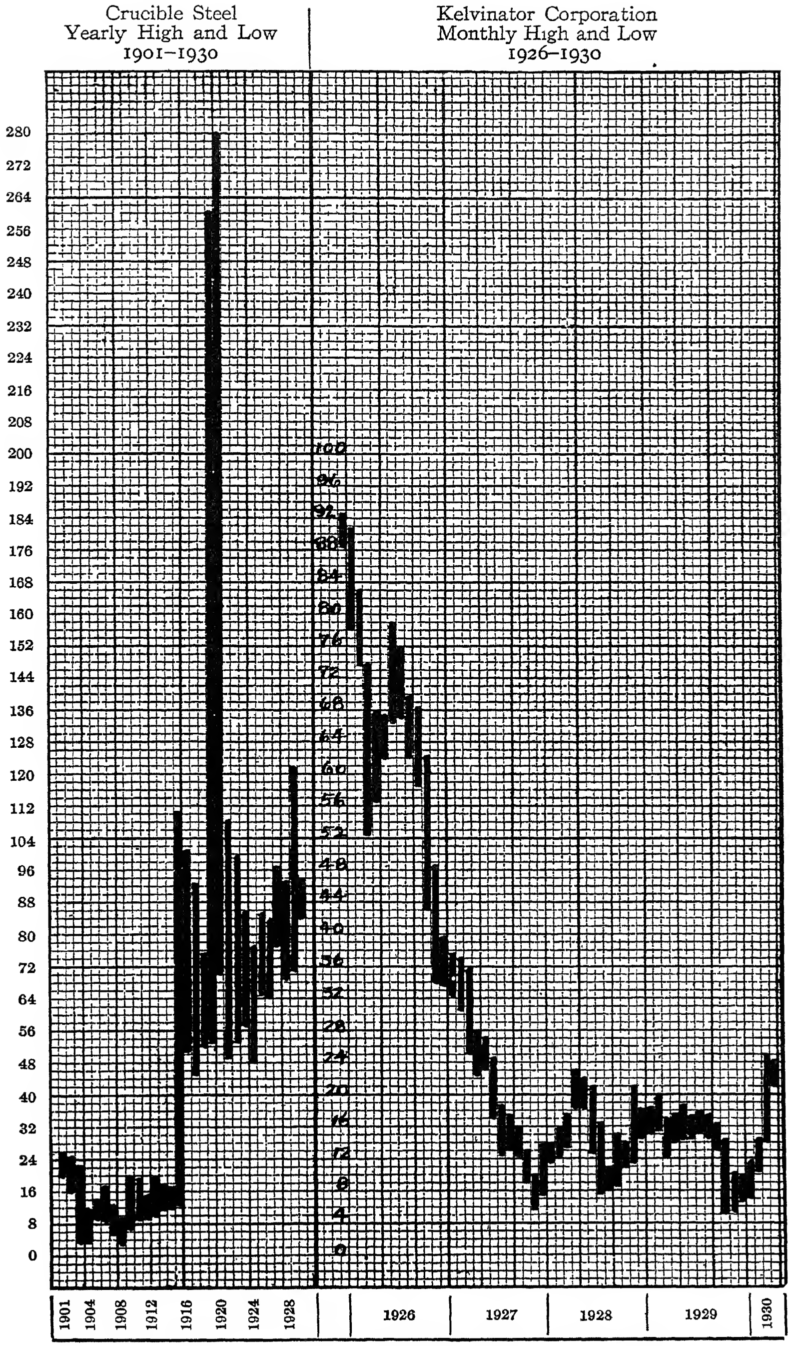
up 74 points, which was moving entirely too fast and the price not being warranted by earnings or any condition in the company, could not hold. Therefore, the trader should have known that 1912 high was 101 and should have sold out around this price. However, the stock went 4 points higher. If he had not sold out at this price, he should have been following the stock up with a 10-point stop loss order, or 10 points from the high. This would have put him out of the market at 95. After the stock declined to 95 it never rallied, went right on down, and when it broke 82, was under 3 weeks' bottoms, which indicated much lower prices. About the time the stock sold at 105, there were tips out all over the country to buy, but from that time on it acted very badly and showed that it was a complete collapse; rallies were very small and the trader who got caught had no chance to get out and many of them did get caught with the stock. In October, 1929, it again sold at 7, down to the same level of 1927, which was a buying level. After that it rallied to 23, and the trader had a chance to make a quick profit. Since that time it has held in a narrow trading range. Now, the fact that this stock had a collapse at a time when there were no big breaks in other stocks showed that it was manipulation. Of course, from September, 1929, on, when all stocks declined in the panic, the good went with the bad, but when a stock goes against the trend, as Advance Rumely did, it is an indication that there is something wrong and that it has been manipulated to unreasonably high prices, and traders should beware.

STOCKS THAT HAVE BIG ADVANCES

Volcanic eruptions are far apart. Vesuvius is in eruption every day but only a minor eruption. The big eruptions and destructive disturbances have only occurred about every 20 years. It is the same with stocks. These fast moves and big eruptions only happen at rare intervals. Go over the list of stocks which have been leaders in the past and you will see how far apart these big moves are. For example:

Union Pacific.—From the low of 80 in 1904, this stock

CHART NO. 8



Crucible Steel
Yearly High and Low
1901–1930
Kelvinator Corporation
Monthly High and Low
1926–1930
280
272
264
256
248
240
232
224
216
208
200
192
184
176
168
160
152
144
136
128
120
112
104
96
88
80
72
64
56
48
40
32
24
16
8
0
100
96
92
88
84
80
76
72
68
64
60
56
52
48
44
40
36
32
28
24
20
16
12
8
4
0
1901
1904
1908
1912
1916
1920
1924
1928
1926
1927
1928
1929
1930

advanced to 195 in 1905 and 1906; declined to 100 in the panic of 1907, and advanced to 219 in September, 1909. This was what I call a volcanic eruption in a stock. It had its first big advance in 1906; then went higher in 1900. After that, it worked lower without having any big moves until 1917 when it declined to 102 and in 1921 made 111. From 1921 to 1928, it advanced slowly, never having any fast runaway moves. In August, 1928, Union Pacific was selling at 194; then started up and crossed the high level of 219, the top of 1909. After crossing this level, it declined to 209 on March 26, 1929; then gradually worked up until July, 1929, when a fast advance started from 232. It continued to work higher until August, 1929, when it reached 297, the highest level in its history, being up 103 points from the low of August, 1928. This is what I call a volcanic eruption in a stock and when it comes, it is time to sell out, because the big opportunity has passed. The man that traded in Union Pacific after 1909 and hoped for it to make fast moves up like it did in 1906 and 1909, had to wait over 20 years for another opportunity of this kind. Therefore, you must learn that when once a stock has a rapid advance of this kind it will not have another one like it for a long period of time and it may never have another big advance.

Crucible Steel.—This is another stock which had a volcanic eruption (see yearly chart on page 99). It started up in 1915 from around 13 and advanced to 110; then reacted to around 45; started up in 1919 from around 54 and advanced to 278 in April, 1920. It was then split up and a stock dividend declared. The stock worked lower until it reachced 48 in 1924. The man who traded in Crucible from 1924 to 1929, hoping for it to have another advance like 1919 and 1920 missed big profits in other stocks which had advances similar to Crucible.

Therefore, you must always watch for the new leaders and leave the old leaders alone, once they have had their big advances. The same occurs after a prolonged decline. It will be a long period of time before the stock will have another similar big break and it will probably be slow on the next advance.

NEW STOCKS

Remember that it is always safer to sell new stocks short. By new stocks, I mean those that have only been listed from a few months to 2 years on the New York Stock Exchange or the stocks of newly organized companies which have been distributed. At the time the underwriters are distributing the stock, the news is so bullish that the people who buy the stock hope for too much, but in a few months or few years they realize that they expected more than was possible. The result is a period of liquidation, reorganization or reconstruction. There is a shake out of the week and speculative long interest, and then the stock starts up from a permanent foundation, because it has been bought by investors and big interests who will hold on from low levels after the speculators who bought at high levels are out. When such stocks reach bottom, it often requires a long period for accumulation to take place.

FACTS YOU NEVER HEAR ABOUT SHORT SELLING

One of the reasons why so many people are afraid to sell stocks short is because they never hear the truth about the short side and are never taught that it is just as safe to sell short as it is to buy stocks and that they can make profits much faster in a bear market than they do in a bull market. Every newspaper writer, investment service, and broker, as a general rule, discourages short selling. Banks advise against it. Why all of this talk against short selling when stocks always go down when they get too high? You will often read in the newspaper the following: "Bears stampeded," "Bears trapped," "Shorts squeezed," "Bears forced to cover," "Bears put to rout," "Shorts will be punished," "A certain stock is harboring a large short interest." Now, why do you never hear the newspapers talking the opposite, or in other words, say "Bulls squeezed," "Bulls put to rout," "Bulls forced to liquidate," "Preparing to run out the bulls"?

When stocks were at the bottom at the time of the 1929 panic, the New York Stock Exchange called for a list of

short sellers. When the market was at the top and so dangerous, when everybody was buying and needed warning and protection, why did not the Exchange call for a list of the people who were buying stocks and also get a list of the people who were selling stocks at these high levels and warn the public? It is just as important to have the names of people who are long of stocks at the top and know who is supplying them as it is to know who is selling them short at the bottom. But neither report would do any good. When everybody is wrong and long at the top, stocks have to go down, and when at the bottom everybody has liquidated and there is a short interest, they go up. The average trader hears everything to discourage him against selling short and gets all of the good news about buying and how it pays to buy. But what the trader or investor wants to know, is the truth and the facts and not things which are based on sentiment and hope.

Any man who will study the records of high and low prices over a long period of years will be forced to the conclusion that short selling is just as safe as buying for long account, provided he sells short at the right time. Some of the "lambs" who lost their fleece in the first and second battle of Bull run on October 24 and 29, 1929, certainly know that they would have been much better off if they had sold short. During the October panic the bulls and lambs made the most disastrous retreat in history. The bulls were demoralized and put to rout after the second battle of Bull run, on October 29, bull horns, hides, hoofs, heels, and tails were strewn from Wall Street to Water Street, and from the Battery to the Bronx. Lambs limped home with their voices keyed to a note of pain exclaiming, "of all sad suckers that have ever bit, we have a sneaking idea that we are it." The bulls followed in the train and bellowed, "never again." Bull blood flowed like rain from the Battery to Maiden Lane. It was Lawson's dream of "Friday the 13th" made real. Why after all this slaughter of the lambs and the breaking of the heart of the bulls, did we not hear anything said about the terrible slaughter of the bulls? We began to hear more talk about shorts going to be squeezed and shorts run in. If there had been more short sellers in the

panicky decline of October and November, 1929, stocks would not have gone down as low, because shorts would have covered on the way down and would have helped to support the market and prevented a disastrous wide-open break in many stocks. Short selling is just as essential to a healthy market as buying for a long account is at the right time.

WHY ARE STOCKS SPLIT UP AND STOCK DIVIDENDS DECLARED?

It is a well known fact, as I have stated before, that the public, as a general rule do not trade, to a large extent, in stocks selling above $100 per share and when stocks get above $200 and $300 per share the public's participation in the trading gets less and less. The object of most companies in listing their stocks on the New York Stock Exchange is to provide a ready public market and to assure a wide distribution of their stocks. Therefore, in order to get the public to buy stocks after they are at high levels, they are split up and stock dividends declared so the stocks will again sell at $100 per share or lower. Then the public can and will buy them. Many good companies declare stock dividends and split up their stock for the good and sufficient reason that stock dividends are not taxable under the existing laws; others declare stock dividends because they really want the public to have a chance to participate in their companies and become partners with them and share in the profits. However, many highly manipulated stocks are split up and dividends declared for the sole purpose of selling the stocks to the public and after they are sold to the public and distributed, then they decline to much lower levels.

As a general rule, after a stock is split up, it requires quite a time for it to be distributed or accumulated, and often after a dividend is declared the stock does not have any big move. Of course, determine the position of the stock by your charts and trade accordingly, but a good rule to follow is that after a stock has had a big advance and a stock dividend has been declared, get out of it and leave

it alone; look for another opportunity and watch that stock until it shows it is ready for a big move one way or the other.

WHO OWNS THE COMPANY

One of the very important things for you to know about a stock you trade in is who owns the controlling interest in the company and who manages it. The stocks which J. P. Morgan & Co. have been interested in or manage, have always made good, because this company does not put its money into a company unless they believe it has great future possibilities. The corporations in which the du Ponts have become interested have all made good. Therefore, when you are seeking to become a partner in a corporation, go in with the successful men but of course get in at the right time.

The time to have bought U. S. Steel was not when the corporation was first organized but when the stock declined to around 10 and showed that it had made final bottom. The fact that J. P. Morgan & Co. were in it showed that it would eventually make good. Although U. S. Steel has broken back 50 to 75 points many times from its top levels, it has always gone higher later. The charts have always shown when it was top for a decline and bottom for another advance.

In 1921, when the Morgan and du Pont interests took over General Motors from Durant, the stock was selling around 15 and continued to decline to 8¼ and remained in a narrow, trading range until 1924, when the main trend turned up. After you knew that the company was controlled by Morgan and the du Ponts, you should have watched for a chance to buy, because there was every indication that they would make the company a success, but there was no need to hurry. You could have waited three years and then bought near the bottom and made fast money.

National City Bank, one of the largest banks in the world, has in recent years become interested in many corporations, and these corporations are all making a success, but there will come a time when their stocks will be top and should be sold out. When bottom is reached and the charts show that the trend is turning up again, it will pay

you to buy the stocks in the companies that the large financial interests in this country are interested in.

Bad management has wrecked many a good company. It was always claimed that Jay Gould wrecked the railroads before he started to build them up. It used to be a favorite saying with professional traders "sell the Gould stocks." Erie was another company that was badly managed over a long period of years. The stock was watered. The public lost all the money they put into it several times, as the company went into the hands of receivers several times.

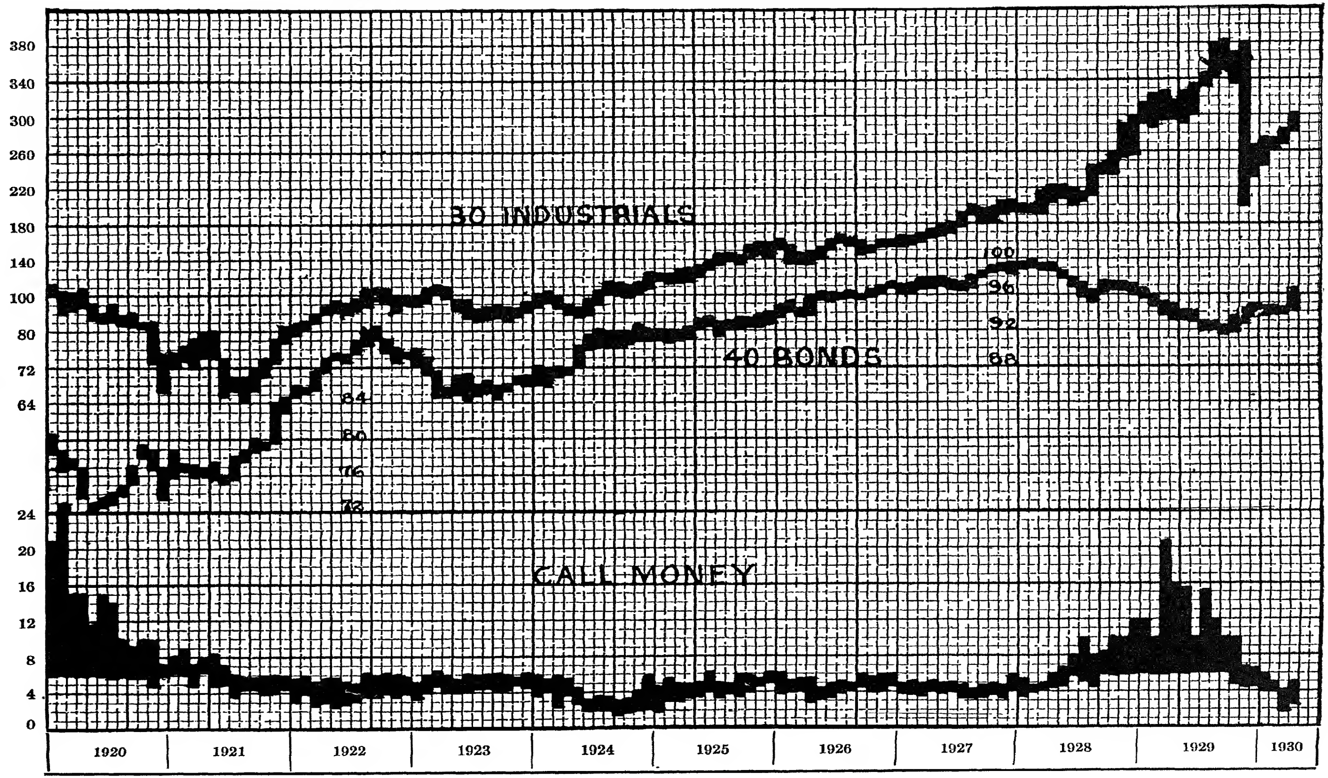
The late E. H. Harriman took over the Union Pacific in 1896 when it was bankrupt and made it one of the greatest railroads in the United States. It has paid 10 per cent dividends for over 24 years. Harriman was a constructive builder, and the investors who bought into the concerns that he managed have made money. Bad management can wreck a good company and good management can make a bad company prosperous.

MONEY RATES, BOND AN STOCK PRICES

It is important to study and compare money rates, average bond prices, and also average stock prices (see chart on page 106). You will see how money rates influence bond prices and how highs and lows for bond prices vary from average stock prices. The money rates forecast a decline or advance in bond prices, and the bond prices forecast what will later follow in the stock market.

The chart on money rates for a long period of years shows you what high call money rates mean and what low money rates mean. There has never been a period of high money but what lower prices for stocks followed sooner or later. High money rates mean that loans have increased, that the supply of money is getting scarce, and that sooner or later speculators will be forced to liquidate stocks to repay loans. Low interest rates do not always mean that a bull market is coming or that stocks will advance, as you can see from the chart. Extremely cheap money means just the opposite of extremely high money—that there is very little demand. Business is usually bad when money is cheap

CHART No. 9.—Dow-Jones 30 Industrials, 40 Bonds, and Call Money.



or, at least, when rates are below normal. Therefore, when business is bad, stocks will not show large earnings and dividends cannot be increased. When business starts to improve and money rates gradually advance, stocks will move with the money market or slightly ahead of it.

In December, 1914, average stock prices reached low, and in September, 1915, average bond prices reached low, or about 9 months later than the low levels reached on stocks. In November, 1915, stock prices reached high, and in January, 1916, bond prices reached higher levels. After that there was no rally in bond prices. They continued to decline until December, 1917, when low levels were reached. Stocks did have rallies in 1917 and U. S. Steel made extreme high of the year in May. In December, 1917, stocks reached low levels. In May, 1918, bonds were top, but this was only a small rally and in September, 1918, bonds made the same low as in December, 1917. This is what we call a double bottom and a place to buy. At this time stocks were holding up and working higher. In November, 1918, bonds made the last high of the rally and started working lower. Stocks had a big boom in 1919 and reached top in November, when bonds were working lower. Final high for stocks was reached one year later than the high for bonds. In May, 1920, bonds reached final low and in December, 1920, stocks reached low for a rally. Bonds made top of rally in October, 1920, from which there was a sharp decline to a second low in December, 1920. Top of rally in the stock market was made in May, 1921. Top of a rally in the bond market culminated in January, 1921; last low for bonds was reached in June, 1921, which was a second higher bottom made one year later than the final low. Some stocks made low in June, 1921, but the average list reached low in August, 1921, which was the final bottom from which the big bull campaign started. This was 16 months later than the low on bonds. Bonds reached high in September, 1922, and stocks continued to advance until March, 1923, when they reached higher levels for a reaction. Bonds reached low of the reaction in March, 1923, at the same time that stocks reached high, and the bonds held in a narrow range for many months and made

last low in October, 1923. Stocks also made a low in October, 1923; then rallied to February, 1924, and made last low in May, 1924, although some stocks did not make low until October, 1924, and started up soon after Mr. Coolidge was elected President of the United States. While stocks were having this last reaction, bonds were slowly working higher. In February, 1926, stocks made top and a big break followed in March. In August, 1926, stocks made a higher top, followed by a sharp decline in October, 1926. Bonds made high in May, 1926, and held in a narrow range with a small reaction until October, when they reached the last low and started up. In January and April, 1928, bonds made final high, just above 99. Failing to reach 100 indicated that there were probably heavy selling orders around 100 and no doubt many people failed to get out of bonds at the right time, whereas if they had been keeping a chart and watching how bonds held for several months without making any important gain in price, they would have known that there was heavy selling and should have sold out because money rates were getting higher. The bond trend turned down in April, 1928; reached bottom for a small rally in August, 1928, and the rally ended in November, 1928; while stocks continued to advance to September 3, 1929, when final high was reached about 20 months later than bonds had made top. However, it is important to know that the average on all stocks on the New York Stock Exchange made extreme high in November, 1928. In August, 1929, bonds made low, but went slightly lower in October, 1929; then rallied in December, 1929; had a small reaction in January, 1930, and went higher in April, 1930. Watch money rates and the bond market, as you will find them helpful in determining the trend of stock prices.

CHAPTER VI

HOW INVESTORS SHOULD TRADE

The big money in many stocks is made by taking a long pull position, but there are times when it does not pay to hold stocks for the long pull, depending upon the cycle which the market is in and how near the market is to a distributing stage. Suppose you buy a medium or low-priced stock to hold for the long pull, and one which pays no dividends, you must figure the interest on the money which you have invested, and unless you make profits enough to pay the interest and more too, it does not pay to take a long pull position. Many people buy a low-priced stock and hold it for several years, then finally sell with 5 points' profit and think that they have made money, but if they will figure the compound interest on the money invested over the period of time, they will find that they have not made good interest on their money and, at the same time, have risked their capital.

WHEN INVESTORS SHOULD TAKE PROFITS

When I speak of investors, I mean long pull traders or those who buy stocks to hold for several years. Investors must have some reliable guide to get in near the bottom of a decline, then when they get in right, they should hold until the bull campaign ends, ignoring minor fluctuations, but studying the charts of a stock to determine when it shows weakness and watching for a sign of the end in order to sell out their investments.

New York Central.—In TRUTH OF THE STOCK TAPE, on page 95, which was written in the early part of 1923, I picked New York Central as one of the best stocks for an investor or trader to buy. I am giving a chart of

this stock from the low in June, 1921, to the top in September, 1929, showing the important swings and reactions, all of which indicated up trend. (See chart on page 113.) There were progressive higher tops, and higher bottoms all the way up. Now, the important thing for the investor to watch was for the best selling point. My rule says to watch for the final grand rush and a boiling movement which may last anywhere from 7 to 10 weeks. From a low of 65 in June, 1921, New York Central advanced to 101 in October, 1922. In November reacted to 89 down 12 points. In June, 1923, sold at 104 and in July reacted to 96, down 8 points. December, 1923, high 108, reacted to 100, down 8 points. During February, March and April, 1924, it held at 100; then advanced to a new high level, which indicated much higher prices. In February, 1925, reached high at 125; reacted in March and June to 114, down 11 points, still not as much reaction as it had from the first top in 1922 and showing up trend. In December, 1925; it sold at 136 and in March, 1926, when there was a panic in most stocks, it declined to 117, down 19 points, but failing to break the low of 114 made in 1925 and making a higher bottom still showed strong up trend. Therefore, the investor should have held on and not sold out the stock. In September, 1926, made a new high at 147; reacted to 130 in October, down only 17 points, not as much as the reaction in March, 1926, and still showing up trend. Therefore, the investor should have ignored this reaction and held his stock. October, 1927, high 171; February, 1928, low 156, down 15 points, still showing up trend. May, 1928, high 191, a new high. In July, 1928, it reacted to 160, down 31 points, the biggest reaction at any time since 1921 and a warning that selling pressure was getting heavier. However, the stock failed to get to 156, the low of February, 1928, and showed that the main trend was still up, because at no time had it broken a previous bottom or Resistance Level from which the upward movement had started. February, 1929, high 204; March and April, 1929, low 179, down 25 points, failing to react as much as it did in July, 1928. From this level followed the final grand rush to September, 1929, when the stock sold at 257, up 78

points in 4 months. Now, we will presume that the investor did not know that the panic was coming in September and October, 1929, so he could not sell out at the top. In order to determine when to sell or where to place a stop loss order, he should look back and find the greatest reaction from any top which was 31 points from the top in May, 1928, at 191 to the low of 160 in July, 1928. The next decline of importance was 25 points, from February, 1929, to March and April, 1929. A good rule to follow is: After a stock has had its final grand rush and reached the boiling point, a stop loss order should be placed an equal distance from the final top, or the same number of points as the last reaction. Therefore, the investor would have had a stop 25 points down from the top. Then when it sold at 257 the stop loss order would have been at 232. After this price was reached the stock never had a big rally until it declined to 160 in November, 1929, down 97 points. This was again a buying level because it was down 100 points and to the price from which the advance started in July, 1928. The low was 156 in February, 1928, so if the investor bought again at 160 he should have placed a stop at 155 just under the last low level. New York Central advanced to 192 in February, 1930, and the low in March, 1930, was 181 and the low in February, 178. Therefore, the investor should have a stop at 177 on the stock as it stands, at the time of this writing, March, 1930.

If an investor had followed my rules laid down in TRUTH OF THE STOCK TAPE and had bought New York Central around 65 and 66 in 1921 and followed it up according to the rules we have just given, he would have been out at 232 on a stop and would have a profit of 167 points or $16,700 and all during the time he held the stock the dividends paid a good return on his invested capital. Suppose the stock cost him originally $6,500 for 100 shares; then when it sold at 130, where he had a profit of $6,500, suppose he bought 100 shares more, his profits would have been $23,200, or nearly four times his original capital or 400 per cent on his investment in a little over 8 years, or a gain of about 50 per cent per year, which proves that long pull trading pays. Of course, by pyramiding and buying

the stock every 15 or 20 points up, the profits would have been much greater, but the investor is not supposed to pyramid. The speculator-investor or trader takes greater risks and pyramids closer together when the market is moving his way.

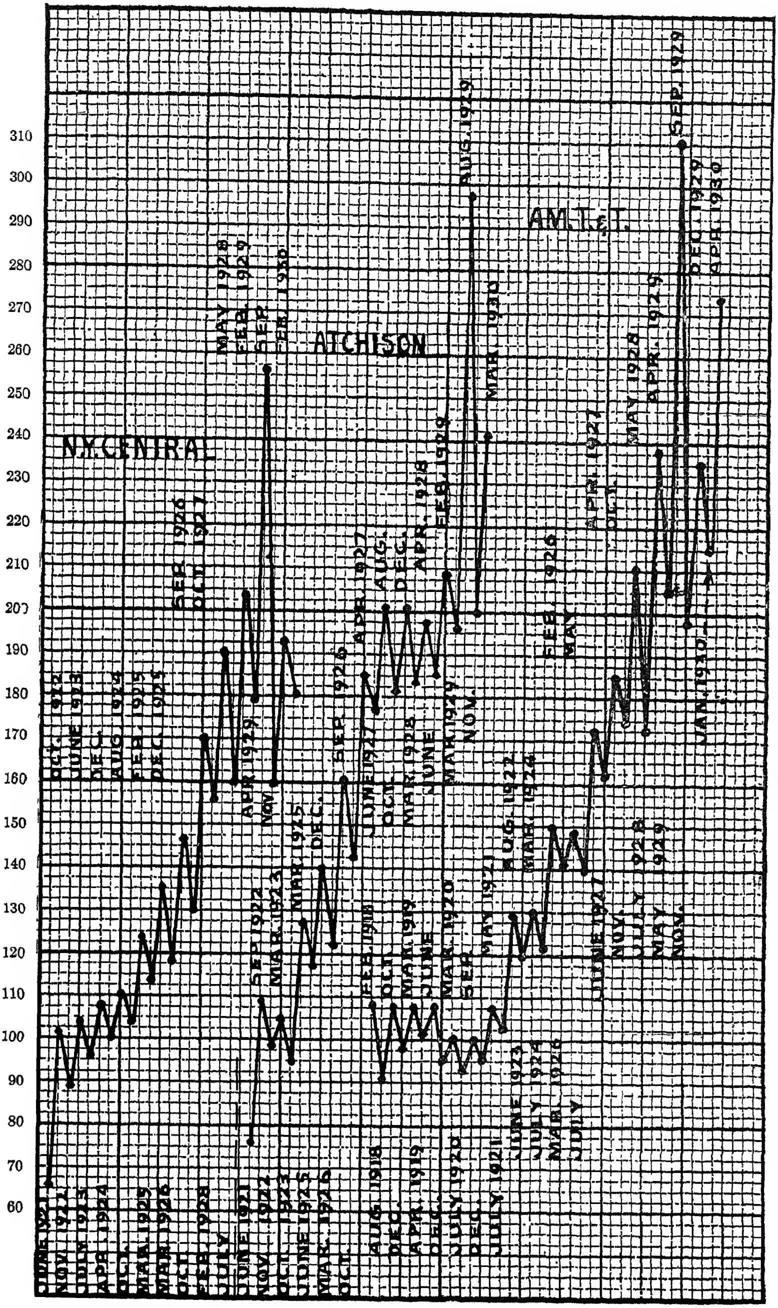
WHAT INVESTORS SHOULD WATCH

A man who is trading for the long pull and is really an investor should watch the big swings, the extent of the reactions, and the time or duration of the reactions. For example, see Swing Charts on Atchison, American Tel. & Tel. and N. Y. Central, page 113.

The investor must first pick the right stock according to the rules to buy and then follow the trend as long as it is up. Then when the trend changes and turns down, he should get out and leave that stock alone, and look for opportunities in a new stock which has not had a big advance.

Southern Railway.—The yearly chart will show you that the high on Southern Railway in 1902 was 41; then it declined to 17 in 1903, and in 1906 made top at 42, just one point above the top of 1902. The low in 1907 and 1908 was 10; high in 1909 was 34, and the three following years made tops around 33 to 32. It declined in 1915, reaching a low of 13, advanced to 36 in 1916, getting only 2 points above the 1909 high. Then, during 1917, 1918, 1919 and 1920, tops were made around 34 and 33, from which a decline followed and bottoms were made at 18 in 1920, 1921 and 1922. Holding for 3 years at these same levels and making a higher bottom than in 1915, the stock indicated that it was going higher. In 1922 when it crossed 24, the high of 1921, it indicated higher prices. Then, in 1923, when it crossed 36, which was above all tops since 1906, this was another indication for a big advance and that it would be an early leader. In the early part of 1924 Southern Railway crossed 42, the high of 1906, which was the highest in its history. Crossing this top 18 years later was a sure sign for a big advance, and the trader who had already bought at lower levels should have bought more and pyramided on the way up. It advanced to 165 in 1928 and declined to 109 in November, 1929. Study the stocks that make years of tops

CHART NO. 10.—New York Central, Atchison, and Am. Tel. & Tel. Swings.



and then start making higher bottoms and finally cross the extreme high levels and get into new territory. They are the ones that investors and traders can make big profits in.

On page 97 of TRUTH OF THE STOCK TAPE, written in early 1923, you can see that I picked American Can, Rock Island and Southern Railway for big advances. See yearly chart on Southern Railway on page 86. These stocks all made good, and if you apply the same rules to stocks in similar position, you will be able to select the proper stocks in the future that possess possibilities for big advances.

BUYING OLD OR SEASONED STOCKS

One of the things which the investor should not do is to buy in new companies unless he is sure of their future, and he cannot always be sure of it. The biggest and the best men make mistakes and most of them become over-optimistic at the time a new company starts and expect greater things than are ever realized. Therefore, the safest rule for the investor to follow in making long pull investments is to buy the old or seasoned stocks. If a stock is over 20 years old and has a fairly good dividend record, he should look up its record and buy it at the time it is low according to the chart and wait for the final grand rush to sell. The reason that these old or seasoned stocks move fast in their final stages is because after a long period of years nearly all of the stock gets into the hands of investors and the floating supply is very small; therefore, when a great buying demand starts, the stock moves up fast until it reaches a level where investors will sell in large amounts and check the advance.

Atchison.—In TRUTH OF THE STOCK TAPE, we refer to Atchison as being one of the good railroads to buy in 1921. This company was incorporated in 1895, therefore it was 26 years old in 1921 and had a good dividend record. (See chart on page 113.) In June, 1921, the low on Atchison was 76; September, 1922, high 108; November, 1922, low 98, down 10 points; March, 1923, high 105; October, 1923, low 94, down 14 points from 108. Failing to break 3 points under these bottoms, still showed the main

trend up. March, 1925, high 127; June, 1925, low 117, down 10 points; December, 1925, high 140; March, 1926, low 122, down 18 points. This was a small decline considering that this was a panic and that some high-priced stocks declined 100 points. Atchison still showed a strong position and the investor should have held it. September, 1926, high 161; October, 1926, low 142, down 19 points. Main trend still up and the investor should hold. April, 1927, high 201. My rule says that always around 100, 200 and 300 or the round figures stocks meet with heavy selling and have some reaction. The investor knowing this could have sold out and bought Atchison cheaper. However, he did not know that the trend had turned and the chart did not show it. In June, 1927, it declined to 181, down 20 points, still making a higher bottom and showing up trend. December, 1927, high 201, the same as April. Here again the investor could have sold out, but the trend had not turned down. March, 1928, low 183, down 18 points, still making a higher bottom and showing up trend. The investor at this time should have had a stop at 178, or 3 points under the previous low level. April, 1928, high 197, making a slightly lower top. June, 1928, low 184, down 13 points. If the investor placed a stop loss order 3 points under the low of March, 1928, he still would have been safe and here for the third time Atchison made a higher bottom, showing that when it could make a higher top it would go much higher. February, 1929, 209 high, a new high and an indication of much higher prices. March, 1929, low 196, down 13 points, exactly the same reaction as the previous one. August, 1929, high 298. Failing to cross 300, the even figure, was an indication of making top, besides Atchison had had the final grand rush. The last two reaction points were 13 points, therefore, the trader would have followed up with a stop loss order 13 points under the high price. This would have put him out of the market at 285. In November, 1929, Atchison declined to 200, down 98 points from the top, another buying level, because it was down nearly 100 points and at the same time holding 2 points above the low of March, 1929. If the investor bought around 200, he should have placed a stop loss order

about 5 points away. In March, 1930, it advanced to 242 and the stop at this writing should be at 227 under the low of February, 1930. One of the reasons why 200 was a buying level in November, 1929, was because Atchison held for 5 months from January to May, 1929, making bottoms around 196. The fact that people bought stock at 196 previously showed that there was strong support and again when it stopped at 200 showed that there was somebody still willing to buy all the stock offered at a slightly higher level, which indicated that it was the proper place to buy for at least a rally.

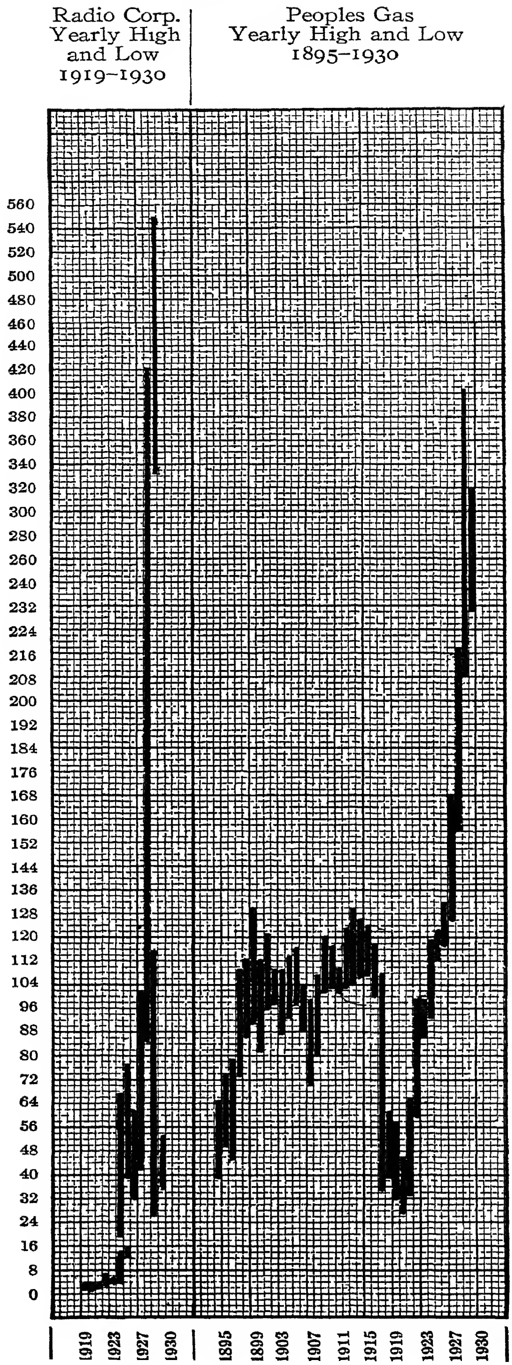
American Telephone & Telegraph Co.—This stock proved to be a great investment in 1920 and has paid enormous profits and big dividends since. It had a big advance with only small reactions. One of the reasons why the old or seasoned stocks have such small reactions is because they are held by investors who do not sell on rallies or get scared and sell out on declines like the professional traders who trade in stocks that the public buy on margin. Buy these good old dividend-payers at low accumulative levels, but not near the top.

As American Telephone & Telegraph is an old company, it is important to review its high and low prices for years back. (See chart on page 113.) The high in 1902 was 186; low in the panic of 1907 was 88; next high was in 1911, when it reached 153; next low in 1913 was 110 and in 1916 high 134; 1918 low 91. Now, this was a strong buying level because at the time of the panic in 1907 the stock declined to 88. Therefore, it should be bought anywhere close to this level with a stop loss order at 85, or 3 points under the old low level. It is important to study the tops: February, 1918, high 108; August low 91; October high 108; December low 98; March, 1919, high 108; April low 101; June high 108; December low 95; March, 1920, high 100; July low 92; September high 100; December low 95. Note the lows in 1919 and 1920 were higher than the low level reached in August, 1918, showing good support and a buying level. There were four tops around 108, and in May, 1921, the stock advanced to 108 again, but it only reacted to 102 in July, 1921, again making a higher bottom, showing strong

support. Now, if you had bought stock near the bottom and wanted to pyramid, the place to buy more would have been when it crossed 110, getting above the tops at 108. The stock continued to work higher each year, making higher tops and higher bottoms, showing that the main trend was up. In May, 1928, it sold at 210 and in July, 1928, reacted to 172, failing to break enough under the low level of November, 1927, to show that the trend had turned down. If the investor had been watching the stock, or the trader had been waiting for an opportunity to buy in December, 1924, he would have bought more at 132 because at this time it was over the tops of 1922, 1923, and 1924. The final grand rush occurred from May, 1929, to September, 1929, when the stock advanced from 205 to 310, up 105 points. This was the final grand rush and the place for the investor to sell out his stock, especially as the last move was 105 points, but the investor or trader could not know when the exact high would be reached, therefore, he should look back to the last reaction and place a stop loss order this distance away. The last reaction was 33 points, from 238 in April, 1929, to May, 1929, when the stock sold at 205. This would have put the investor out at 277, and if he had bought around 100, he would have nothing to worry about, even if he missed 33 points at the top of the final grand rush. It declined to 198 in November, 1929. This was a buying level, because it was 110 points down from the top and there is always support around the even figure when the stock declines to 200 or when it advances to around this level. If the investor bought again around this figure, he should watch for the reaction point to place a stop loss order. The stock advanced to 235 in December, 1929, and reacted to 215 in January, 1930, a 20-point reaction. It advanced to 274 in April, 1930. Therefore, the investor should follow up with a stop loss order 20 points away, or until he gets a better indication to sell. In view of the fact that American Tel. & Tel. has had a final grand rush, the investor should not expect it to go back to 310 again, at least for many years to come.

Peoples Gas.—The yearly high and low chart from 1895 to 1930 on page 118 is important for investors to

CHART No. 11



Radio Corp.
Yearly High and Low
1919–1930
Peoples Gas
Yearly High and Low
1895–1930
560
540
520
500
480
460
440
420
400
380
360
340
320
300
280
260
240
232
224
216
208
200
192
184
176
168
160
152
144
136
128
120
112
104
96
88
80
72
64
56
48
40
32
24
16
8
0
1919
1923
1927
1930
1895
1899
1903
1907
1911
1915
1919
1923
1927
1930

study. In 1899 the high was 130 and in 1907 low 70; in 1913 the stock again advanced to 130, the high of 1899. Notice that the low levels from 1909 to 1917 were between 100 and 106, which showed that during all these years there was good support around 100. The trend had been up for years and investors had gained great confidence in this stock. When it broke 100 in 1918, this was an indication that something was wrong. Investors should have sold out and traders should have gone short. The stock declined to 27 in 1920. Big accumulation took place and the trend turned up again. In 1926 it crossed 130, the high of 1899 and 1913; crossing this level was an indication of much higher prices, and investors and traders should have bought more of it. A big advance followed and in 1929 the stock reached a high of 404, when a stock dividend was declared.

U. S. Steel Swings.—I use U. S. Steel for an example in many cases, not because my theory or rules cannot be proved by other stocks, but because Steel is one of the best known stocks to the general public and they understand more about its movements. The swing chart on page 56 shows the major and minor movements on Steel from the date of listing on the New York Stock Exchange, March 28, 1901, to April 7, 1930. It started at 42¾ in March, 1901, and advanced to 55 in April. Being a new stock with volume of five million shares, naturally it took a long time to distribute it. The first big decline occurred in the panic of May 9, 1901, when the stock declined to 24. In July it rallied to 48; declined to 37, and in January, 1902, advanced to 46. Failing to reach the previous top of 48 showed good selling and an investor or trader should have sold out and gone short. In December, 1902, it declined to 30; in March, 1903, advanced to 39, still making a lower top than the previous top. In May, 1904, it declined to 8⅜, the lowest price in history. Around this level there was accumulation about 8 or 10 months. Investors should have bought around this low level or when it crossed 13 in September, 1904, which was over the Resistance Level made between November, 1903, and August, 1904. In April, 1905, made high at 38. Failing to cross the high of March, 1903, indicated a reaction. In May, 1905, declined to 25,

where it received good support and indicated a buying point. February, 1906, advanced to 50, getting only 2 points above the high of July, 1901; July, 1906, reacted to 33; January, 1907, advanced to 50. Failing to cross the high of 1906 indicated that the stock should be sold out and sold short, especially as the stock was still below the high level made in April, 1901. In the panic of March, 1907, Steel declined to 32 and in July, 1907, advanced to 39, still making lower tops, and in the panic of October, 1907, declined to 22. This was a buying level because it was just under the low level reached in May, 1905. A rapid advance followed and reactions were very small. Steel advanced to 58¾ in November, 1908. This was the highest point in its history, crossing the levels of 1906 and 1907 and the high of April, 1901, and giving indication that it was getting ready to go very much higher. Therefore, it was a purchase on all reactions. In February, 1909, Steel declined to 41⅛. A study of the weekly high and low chart will show that it indicated bottom and should have been bought. A big advance followed and at no time did Steel react over 5 points until it advanced to 94⅞ in October, 1909, where there was the heaviest volume of trading of any time in history and the weekly and monthly high and low charts showed that it was making top. Suppose an investor or trader bought near the bottom, in February, 1909, or at any previous low level. After the February reaction in 1909, if he had followed the stock up with a stop loss order 5 to 7 points away, the stop would have never been caught. The trader who was watching for reactions to buy, after seeing the first reaction of 5 points, could have bought every time it reacted 5 points with a stop loss order 3 points away, and his stop would never have been caught. In this way big profits could have been made pyramiding. From the top in October, 1909, Steel declined to 75 in February, 1910; rallied to 89 in March; declined to 62 in July, advanced to 81 in November; then declined to 70 in December, 1910, and rallied again to 82 in February, 1911. Note that it was making lower tops and lower bottoms all the time. The fact that it made three tops around 81 to 82 indicated that it was a short sale at these levels with a stop 3 points away. In April, 1911, it

declined to 73 and again in May, 1911, advanced to 81, again failing to cross the high levels of November, 1909, and the high of February, 1911. A sharp decline followed and in November, 1911, when the United States Government filed suit to dissolve the United States Steel Corporation, the stock declined to 50. This was a buying level because during 1901, 1906, and 1907 Steel had made tops at 50. Therefore, the old Resistance Level for a top would become a buying level when it declined to the same level. From this level Steel advanced to 70 in December, 1911, where there was good selling and a reaction followed to February, 1912, when it declined to 59, making a higher bottom and indicating a buying point for a rally. In April, 1912, it advanced to 73 and in May, 1912, declined to 65, again getting support at a higher level, showing that it should rally again. In October, 1912, advanced to 80, again failing to cross the selling level. At this point you should have sold out and again gone short. In June, 1913, declined to 50, back to the same level of November, 1911, and a buying point with a stop 3 points under the bottom made in February, 1909, from which the last big advance started. The recovery in 1915 was rapid and Steel showed that there was good buying. When it crossed the level from 63 to 66, it was in a very strong position and indicated higher prices and the investor and trader should have bought more. It went through the Resistance Levels of 80 to 82 in December, 1915, advancing to 89 and showing that it was eventually going much higher. In January, 1916, it declined to 80, getting support at the same level where previous tops had been made. In March, 1916, advanced to 87. Failing to cross 89 indicated a reaction. In April, 1916, again declined to 80. This was another sure buying point with a stop loss order at 77. The advance followed and Steel crossed 89 and then crossed 94⅞, the highest in history, which indicated much higher prices. In November, 1916, it advanced to 129; in the panic of December, 1916, declined to 101; in January, 1917, rallied to 115; in February, 1917, declined to 99. This was a buying level with a stop at 98, or 3 points under the low level of 1916. As long as Steel could hold above 95, the old top, it was in strong position and indicated much

higher levels. In May, 1917, it advanced to 136. Here was some of the heaviest volume of trading in history and the weekly and monthly charts as well as the 3-point moves showed that Steel was making top for another decline. In December, 1917, it declined to 80, the old support level and a point to buy for a rally, protected with a stop loss order at 77. In February, 1918, advanced to 98; in March, 1918, declined to 87. Failing to get back near the old low levels indicated higher prices. In May, 1918, advanced to 113, but failed to cross the high of January, 1917. In June, 1918, declined to 97; August, 1918, advanced to 116, where it met good selling just 3 points above the top of May, 1918. The weekly chart showed it was making top and it should have been sold short. In February, 1919, declined to 89; making a bottom 2 points higher than in March, 1918, indicating a buying point. In July, 1919, advanced to 115; failing to cross the high of August, 1918, indicated that the stock should be sold short. In August, 1919, had a sharp decline to 99 and in October advanced to 112, making a lower top than in July, another indication for a short sale and that the stock was going lower. In December, 1919, declined to 101, making a bottom 2 points higher than the previous bottom, an indication for a rally. In January, 1920, advanced to 109, making a lower top than October, 1919. Notice that from May, 1917, all of the tops were lower, just the same as they were in 1911 and 1912, which indicated good selling. In February, 1920, Steel declined to 93, breaking the previous support levels and indicating lower prices. In April, 1920, advanced to 107, again making a lower top and indicating that it was a short sale. In December, 1920, declined to 77. Breaking the previous support levels at 80, which were made in 1915 and 1917, indicated lower prices. In May, 1921, advanced to 86 and in June declined to 70½. At this level there was good support and the daily and weekly high and low charts showed that it was making bottom and that it should be bought for another advance. The advance started and Steel began to make progressive tops and bottoms, working higher from each reaction until October, 1923, when it advanced to 111. Failing to cross the top of October, 1919, indicated at least

a reaction and until it could cross these Resistance Levels, which began in May, 1918, and were running right across around 109 to 116, it indicated lower prices. In November, 1922, declined to 100 and in March, 1923, advanced to 109. Again failing to make the last top of October, 1922, indicated lower prices. In July, 1923, it declined to 86; in August, rallied to 94 and in October, 1923, declined to 86, the same level. Making bottoms for several months at this level showed strong support, and the stock should have been bought with a stop at 83. In February, 1924, it advanced to 109, the same top as March, 1922; in May, 1924, declined to 95, making a higher bottom and showing better support. An advance followed and it crossed all the tops made between 1918 and 1922, an indication of much higher prices, and when it crossed 112, traders and investors should have bought more stock. In January, 1925, it advanced to 129, the same level where it made top in November, 1916; in March, 1925, declined to 113. This was a buying level because it was around the top levels where resistance had been met before. In November, 1925, it advanced to a new high of 139. Going 3 points above the old high level of 1917 indicated higher prices to follow later. In December, 1925, declined to 129 and in January, 1926, advanced to 138. Failing to cross the high of November, 1925, the stock should have been sold out and traders should have gone short with a stop at 142. In April, 1926, it declined to 117, getting support at a higher level than in March, 1925, indicating higher prices. The weekly chart at this time showed good support. An advance followed and all high levels were crossed, and in August, 1926, it advanced to 159. In October, 1926, it declined to 134, getting support just under the top levels of 1925 and early 1926. Another big advance followed, and in May, 1927, the old stock advanced to 176, and at the time it sold ex-dividend 40 per cent, the main trend was still up. Trading in the new stock began in December, 1926, at 117 and in January, 1927, it declined to 111¼. Failing to break 3 points under the last low level of March, 1925, which was 113, indicated support and a buying level with a stop at 110. While the stock was slow around low levels, it showed that

good accumulation was taking place and that it was getting in position to go higher again. In May, 1927, it advanced to 126 and in June, 1927, declined to 119, where good support was indicated and a rally followed. When the stock crossed 126, it was the place to buy more, as it indicated higher prices, making progressive higher bottoms and higher tops. In September, 1927, advanced to 160 and in October, 1927, reacted to 192. Failing to get back to the old top of 126 showed good support and a buying level. The volume was very heavy at this time and the decline was quick and sharp, therefore traders should have covered shorts and bought. In December, 1927, rallied to 155. Failing to reach the old top indicated another reaction to follow. In February, 1928, declined to 138 and in April, 1928, advanced to 154. Failing to cross the top of December indicated that it should be sold short. In June, 1928, declined to 132. Failing to reach the bottom of October, 1927, indicated a buying level with a stop loss order under the old bottom. The advance was resumed and in November, 1928, the top was reached at 172. While this was the highest price at which the new stock had ever sold and above the top of 160 in September, 1927, it was still under the high of 176 which the old stock made in May, 1927. In December, 1928, a decline followed to 149¾, where the stock again showed good support and the trend turned up and crossed the high of 176, which indicated high prices. In January, 1929, advanced to 193; in February declined to 169; in March advanced to 193. Failing to cross the old top was an indication to sell out and go short. No doubt at this time there were heavy selling orders in this stock all the way up from 194 to 200, as selling orders always appear around these even figures. The people who set these prices failed to get out. In March, 1929, it reacted to 172 and again in April advanced to 192. Failing for the third time to cross the top of January, 1929, indicated a short sale with a stop at 196. In May, 1929, it declined to 162½. While this broke the previous low levels of February and March, 1929, the stock did not get back near where it started in December, 1928. There was good support and the weekly chart showed that the main trend had turned

up. From this support level, the final grand rush followed. Steel, advancing on heavy volume, crossed the tops at 192 and 193, which was an indication for much higher prices. We have shown this advance under "How to Balance a Stock." At no time did it close 3 consecutive days with losses, or 3 days lower, until it reached 261¾ on September 3, 1929, making the final grand rush of nearly 100 points. Notice that this is when Steel was in its 29th year. I have stated before that stocks have their final grand rush and big advances after they have been well distributed and investors have bought them; then when the stock gets scarce it is easy to put it up, but when these final grand rushes come, the investors should sell out. If the investor had been following this advance with a stop loss order 10 points from every top, the stop loss order would not have been caught until Steel reacted from 261¾ to 251¾, when he should have sold out and gone short. In October, 1929, Steel declined to 205 and in the same month rallied to 234, and in November, 1929, declined to 150, getting back to the same level where it made bottom in December, 1928, and the place to buy with a stop loss order at 147. In December, 1929, advanced to 189 and in the same month reacted to 157, making a higher bottom and again a buying level. In February, 1930, advanced to 189, the same level it made in December, 1929. This was the place to sell out and go short. In February it declined to 177, again making a higher bottom from which an advance followed. Crossing 189, the tops of December, 1929, and February, 1930, indicated higher prices. In April, 1930, advanced to 198¾, from which a reaction followed. No doubt there were heavy selling orders in around 200, because for some time previous to this the newspapers had talked about Steel making 200. Naturally, the traders who wanted to sell placed orders at the even figure, but failed to get out. Steel should get support on a reaction to around 189, but should it break the low level of February, 1930, at 177, would again indicate lower prices. However, traders and investors should watch it until the weekly and monthly high and low charts show distribution and indicate that it is meeting with resistance and getting ready to go lower.

Every trader and investor should have a graph or chart, showing the swings of the stock that he is trading in, as far back as he can get them. He can then see whether it is making higher bottoms and higher tops or lower bottoms and lower tops and know the position that the stock is in. Remember that after a stock has a final grand rush, it will be a long time before it ever reaches this level again, as we have shown in the case of American Smelting & Refining and other stocks which made top in 1906 and did not cross this level again until 1926 to 1929. So the investor should avoid getting tied up with stocks after they have had the final grand rush, because they are likely to work lower for a long time to come.

WHAT TO DO WITH OLD STOCKS THAT WORK OPPOSITE THE TREND

When old or seasoned stocks start working against the trend of the general market, there is something wrong and investors and traders should get out of them and leave them alone. For example:

American Woolen.—This had been a good old investment stock for many years and the Company made a large amount of money during the War days. It made low at 12 in 1914 and advanced to 169 in December, 1919, where big distribution was indicated and the trend turned down. In February, 1920, it declined to 114; in April rallied to 143, and in May broke 114, which showed that it was going lower; in December, 1920, declined to 56. It held up well during 1921, which showed that it was getting good support and was going to have a good advance, which it did. Making bottom ahead of other stocks, it was an early leader and advanced until March, 1923, when it reached 110. Notice that it failed to reach 116, the last high made in May, 1920. This was a selling level where both investors and traders should have sold out. From that time on, it worked lower, never showing much rallying power and indicating that there was something wrong with the company. However, earnings for the previous years were showing up poor and it was easy to find out that the company was now badly managed,

and having had heavy inventories after the War, on which there were big losses, the stock naturally felt the influence of the decreased earnings. In 1924 it broke 56, the low of 1920, which was an indication that it was going lower. It failed to rally in the Fall of 1924, when other stocks started up, and worked against the trend until 1927, when it declined to 17; then rallied in September to 28 and in June, 1928, declined to 14. In November, 1928, rallied to 32; then declined until October, 1929, when it reached a low of 6. The Company has been showing a deficit for several years and probably has now reached the worst and the stock may be in position to work higher in the future. In February, 1930, it rallied to 20 and in March, 1930, declined to 13. It could be bought on reactions now, but it would be better to wait until it crosses 20, when it will indicate a better rally. However, the earnings at this time do not indicate any important bull market in American Woolen in the near future.

It is important to study what stocks do up to the time they are 10 years old; then what they do when they are 20 to 30 years old, and how they act when 40 to 50 years old.

SAFETY OF INVESTMENTS

Hoping and expecting for too much profit and taking undue risks is what causes many of the losses in Wall Street. Savings Banks are considered the safest way of investing your money. You receive 4 to 4½ per cent on your account. The next safest investments are good bonds and first mortgages, which return about 6 per cent on your money. When you go beyond this in investments and buy stocks or bonds that pay more than 6 per cent, you have crossed the danger line and departed from the rule of safety. It is better to select good stocks which pay smaller dividends and buy them at the right time than it is to buy bonds which pay high rates and are dangerous. If bonds have to be sold to yield more than 6 per cent, there is something wrong with them. You can often select a stock that is paying a dividend of 4 per cent, which has future possibilities and will later pay 8 or 10 per cent dividends, and your invest-

ment will return a big profit because your stock will advance in price. Bonds very seldom advance very much and often go below the price which you pay for them, causing a shrinkage in your invested capital. Even the very best bonds decline under unfavorable conditions. British Consols and United States Bonds have had big declines in time of war. This shows you that it is necessary to keep a chart on bonds or a group of bonds and watch for a change in trend just the same as you watch for change in trend in active stocks. The time comes when you must sell out bonds which are starting to decline and get into better and safer bonds or wait for another opportunity.

By studying the action of the bond market and bond prices, you will be able to determine what the stock market is going to do later and what general business is going to do. Bond prices in 1928 gave the indication of a decline in stock prices to follow and of a business depression.

CHAPTER VII

HOW TO SELECT THE EARLY AND LATE LEADERS

In every bull campaign there are always stocks that lead in the first section of the campaign. Some of them make top in the early stages of the campaign and never go higher. then work lower, while other stocks are going up. In the next section of a bull campaign, new leaders are taken up and they make top and do not lead in the third section of the bull campaign, when other new leaders are again taken up. Finally in the fourth or last section of a bull campaign the late leaders are brought into line and have big advances.

In every group of stocks there are always some that are in a weak position and some that are in a strong position, working opposite to the general trend. Therefore, it is necessary to determine the stocks which are in strong position and will become leaders, and those in weak position which will continue to work lower or will be leaders in a bear market. In the 1921 to 1929 Bull Campaign only a limited few were active and continued to lead each year. Some stocks finished and made top in 1922, others made top in 1923, 1925, 1926, 1927, and a majority of the list made top in 1928. In November, 1928, the averages of all stocks traded in on the New York Stock Exchange reached the highest price in the campaign. Yet, the Dow-Jones 30 Industrials reached a record high on September 3, 1929, and many stocks which were late leaders had big advances in the Spring and Summer of 1929. The time to make money trading in stocks is when they are leading, either up or down. Therefore, it is necessary to study each individual stock in a group of stocks in order to determine its position.

CHEMICAL STOCKS

When I wrote TRUTH OF THE STOCK TAPE in January, 1923, I said that the Chemical and Airplane stocks would be the leaders in the next bull market. Therefore, it was necessary to analyze the different chemical stocks to determine which ones would be the best to buy in the different stages of the bull campaign.

American Agricultural Chemical.—In April, May, June and July, 1919, this stock reached extreme high and distribution took place. It declined until August, 1921, reaching a low of 27; then in August, 1922, made a high of 42. In April, 1923, it again declined to 27, the low of 1921. This was not a sign of strength because if it was going to work higher, it should have made a higher bottom and the rally in 1922 was small compared with other stocks. The trend continued down, the stock being very weak during 1924, and in June it reached a low of 7, which was the lowest level since 1907, when the low was 10. This showed that the stock was in a very weak position and was not one of the Chemical stocks to buy for a big advance. In January, 1926, high was 34. While this was above the top of 1923, it failed to reach the high of 1922, the first year of the bull campaign. The trend again turned down and in April, 1927, it declined to 8, holding one point above the low of June, 1922. This was a buying level, for a rally, protected with a stop at 6. Low-priced stocks of this kind should be protected with stop loss orders about one point under a previous low level. A slow rally followed and in November, 1928, a high of 26 was recorded. Note this top was below 1926 top, showing that the stock was lowering its tops on every rally and that the main trend was down. From this top it continued down and was very weak, reaching final low in November, 1929, when it sold at 4, the lowest price for over 20 years. One of my rules is that a stock must cross its high level made in the first year of the bull campaign in order to show that it is going to be a leader in a later section of the bull campaign. The fact that American Agricultural Chemical never crossed the high of 1922 was an indication that it would not be a leader. Therefore,

you should not have bought it but should have looked for a chemical stock which showed itself to be in a stronger position.

Davison Chemical.—In March, 1921, the low was 23. It showed good support and the advance started. In April, 1922, it reached a high of 65. Here there was good selling and the trend turned down. In May, 1923, low was 21. This was a buying level, that is, you should have bought around 23 to 22, protected with a stop at 20 or 3 points under the 1921 low level. Previous to the decline in May, 1923, this stock had rallied to 37 in March. In August, 1923, it crossed 37, the high in the early part of the year, which turned the trend up and indicated higher prices. If you had bought stock around the low level, when it crossed 38, you should have bought more and followed up with a stop loss order. In the latter part of 1923 there was a fast advance and this stock was rushed up by pools. There was a lot of newspaper talk about it; tips were wild that it was going to several hundred dollars a share and some wild-eyed enthusiastic market letter writers said that there was a possibility of it going to $1000 a share because of the great profits to be derived from the Silica Gel process. In December, 1923, the stock sold at 81. This was a sharp top on heavy volume of trading and a quick, sharp decline followed, the price working lower until April, 1924, when it sold at 41. From this level it slowly advanced until July, 1924, when it again sold at 61. This was another sharp advance, and a sharp decline followed. After it made a lower top in July, 1924, and broke the bottom at 41 made in April, 1924, it showed a weak position and indicated lower prices. In April, 1925, it declined to 28, which was 5 to 7 points above the lows of 1921 and 1923. Receiving support at a higher level indicated a rally at least. In August, 1925, it rallied to 46; had a reaction and again in February, 1926, made a high of 46. Now, failing to cross this high level was an indication for lower prices and the stock should have been sold out and sold short with a stop at 49. A decline followed and in March, 1927, it declined to 27, one point under the low of 1925. This was again a buying point protected with a stop at 25, or 3 points under

the low of 1925. There was again good support and in July, 1927, it rallied to 43. Failing to make the tops of 1925 and 1926, was a sign of weakness and indicated another decline to follow and also indicated that this stock would not be a leader in the near future. In October, 1926, it declined to 23, breaking all low levels except the lows of 1921 and 1923. Here it again received support and you could have bought, protected with a stop at 20. The fact that it held at this time 2 points above the 1923 low and at the same low of 1921, showed that somebody was buying the stock around this level. It held for 6 months in a narrow, trading range, then the trend turned up. It advanced to 48 in December, 1927, crossing the tops of 1925, 1926, and 1927. This was a strong indication for higher prices and indicated that the stock should be bought again on any reaction. In February, 1928, it reacted to 35, where it again received good support and in April, 1928, crossed 48. This was another place to buy more and the advance continued until November, 1928, when the stock sold at 68, crossing all previous tops except the extreme high which was made in December, 1923. There was a reaction from 68 to 54 in December, 1928. In January, 1929, it advanced to 69, only getting one point higher than the previous top. This was a bad sign and indicated that the stock should be sold out and sold short. It held in a narrow, trading range for some time, and in February and March made the high level; then in the latter part of March declined to 49. Breaking back 20 points from the high level after making a double top, was a bad indication. In April, 1929, it rallied to 59, again making a lower top. In May it declined to 43, making a lower bottom, still showing the trend down. In July, 1929, it rallied to 56, again making a lower top, and in August declined to 46, making a slightly higher bottom than the previous low. It rallied again in the early part of October to 56. Making the same top again was an indication for a short sale. A wide-open break followed and in the latter part of October it declined again to 21, the low level of 1923. The fact that it was supported in 1921, 1923, and 1926 around these levels was an indication to buy in 1929 at this level with a stop at 20, which would not

have been caught. This proves my rule to buy with a stop loss order 3 points under the first extreme low level. For example: In March, 1921, the extreme low was 23 and a stop loss order at 20 would have held every time it was bought during this period of years. You might ask why the stock got support at this level every time. The reason was that there was some pool or some people on the inside who knew that it was worth $20 a share and every time it declined to around 25 to 21 they would buy and then sell out when it reached a level which they thought as high enough. From the low level of 21 in 1929, the stock rallied to 42 in March, 1930. Should this stock hold for a few years and not break back to the low of 1929 on the next decline, it may be a future leader. You can see that this stock was an early leader in the 1921 to 1929 Bull Campaign, making high in December, 1923, and never getting higher during the following 6 years, while other chemical stocks in strong position made higher each year following.

Air Reduction.—Made low at 30 in 1920, and again in June, 1921, made this same low, a double bottom, which was a good indication for a big advance to follow. In March, 1923, it advanced to 72, showing that it was an early leader. It declined to 56 in June, 1923. In January, 1924, it made a new high at 81 and in February, 1925, advanced to 112, the highest in its history. It made higher bottoms and higher tops in 1926, 1927, and 1928, showing at all times that it was a leader because it was making higher bottoms while other stocks, like American Agricultural Chemical and Davison Chemical, worked lower from every top instead of making new tops. Air Reduction was a late mover and a fast mover in the last final grand rush in the 1929 Bull Campaign. It reached final high in October, 1929, selling at 223. It made a sharp top, was very active at the top, fluctuating over a wide range, with a very large volume of sales. It declined to 77 in November, 1929. If you were watching this stock in August, 1929, for a sign of top, these indications would show that it was nearing the end. August, 1929, high 217, September, 1929, high 219, only 2 points above the previous top. A sharp reaction followed and the final grand rush in October carried the

stock to 223, only 6 points above the high of August and 4 points above the high of September. At the time the final high was made, nearly all other stocks had turned the main trend down. It was only natural to expect that this stock would have to follow the decline when it was so severe in other stocks. A weekly high and low chart from August 24 to November 16, 1929, shows the top and big distribution. During the week ending October 5, 1929, Air Reduction declined to 186 from the top of 219; then advanced to 223 during the week ending October 19. The following week it broke below 186, the bottom made during the week ending October 5. This turned the main trend down, and if you were already short, you should have sold more when it broke 186, and you could have made 100 points or more from this level in a few weeks. While this stock was a leader during the bull campaign and a late mover, finishing last, at the same time it had a decline proportionate or greater than many other stocks in the first panicky decline.

Allied Chemical.—This was one of the best leaders among the chemical stocks and one of the best to buy, showing up trend most all of the time. In August, 1921, the low was 34. It advanced to 91 in September, 1922; declined to 60 in August, 1923; and had many months of accumulation. In March, 1925, it made a new high of 93. Getting above the 1922 high showed that it would be a purchase on any reaction for much higher prices later. During 1926, 1927, 1928 and 1929, it made higher bottoms and higher tops until the final top was reached in August, 1929, when it sold at 255. The weekly high and low chart showed down trend at 235. The stock declined to 197 on November 13, 1929. Having a much smaller break than Air Reduction and other chemical stocks, showed that it was in a stronger position and could have a better rally when the trend turned up. It received good support and rallied to 192 in March, 1930. From the above analysis you can see how Air Reduction and Allied Chemical were in strong position, while American Agricultural Chemical and Davison Chemical were in a weak position.

Dupont.—Made low levels in 1922 and 1923; then made a higher bottom in 1924 and worked higher every

year until September, 1929, when it sold at 231. This was one of the late leaders among the chemicals. In November, 1929, it declined to 80. Note how much greater decline this stock had than Allied Chemical. The reason that Dupont had so much greater decline than Allied Chemical was that Dupont had been split up and the stock distributed, while Allied Chemical had not been split up and had not declared a stock dividend. Dupont rallied to 134 in March, 1930.

U. S. Industrial Alcohol.—This stock was analyzed in TRUTH OF THE STOCK TAPE and its position shown to be weak because it was a late mover in the Bear Campaign of 1921 and did not make bottom until November, 1921, when it sold at a low of 35. Therefore, it could be expected to be a late mover in a bull campaign later. In March, 1923, U. S. Industrial Alcohol sold as high as 73; then declined in June, 1923, to 40; and in July, 1924, advanced to 83, getting 10 points above the high of 1923. From this level it worked lower until May, 1924, when it declined to 62. Then a sharp advance followed, reaching high at 98 in October, 1925. This was the old support level on the way down. (Notice the chart shown in TRUTH OF THE STOCK TAPE.) The old support level became a Resistance Level and a selling level when the stock rallied to this price. It showed weakness and worked lower until March, 1926, when it reached 45, holding 5 points above the low of 1923 and 10 points above the low of 1921. This was again a buying level. In February, 1927, it advanced to 89, failing to reach the top of 1925. In March, 1927, it declined to 69 where there was good support and the trend turned up again. In December, 1927, it crossed 98. This was an indication for higher prices and you should have bought more. In March, 1928, it made high at 122. Here there was good selling and in June, 1928, it declined to 102. Holding above the old top level of 98 and failing to break 100, was an indication of higher prices later. After that the stock gradually worked higher and in August, 1929, the final grand rush started when the stock started up from 175 and advanced to 243 in October, 1929. It then declined to 95 in November, 1929, getting 5 points under the low of 1928, but back to the old support level around 95 to 98, which had been Re-

sistance Levels for years both on the down side and on the up side before they were crossed. After the bottom was reached in November, 1929, there was a sharp, quick rally to 155 in December, when the trend again turned down. In March, 1930, it broke back to 100, showing the stock to be in a weak position.

It is very important to note the old tops of this stock in 1916, 1917, and 1918, which were from 167 to 169. When these tops were crossed it indicated much higher prices and instead of selling short, you could have made big money buying it at this high level. Note the support levels at 95 to 98 in 1916, 1917, and 1918, and 1919, and again in 1929 the bottom at 95.

A daily high and low chart on U. S. Industrial Alcohol for September and October, 1929, is very important and will show you its position very clearly. On September 3, 1929, the day average top was made on the Dow-Jones Industrial Stocks, U. S. Industrial Alcohol sold at 213½; declined to 200 on September 5; rallied to 212 on September 9 and 10; declined again on September 10 and 11 to 200, the same low as September 5. Then, when it broke 3 points under this level, or sold at 197, you should go short. On September 12 it advanced to 210½; September 13 declined to 198½, only 1½ points under the previous bottom; September 20 had a fast run-up to a new high of 226½; September 25 declined to 204½, still holding above the previous low level; September 27 high 220; October 4 low, 201, a higher bottom than September 5, 9, and 10, and still higher than September 13. This was a sure indication to go short if it declined to 197, but as long as it was making higher bottoms, it was good to buy with a stop at this price, or with a stop at 200. On October 11, 1929, final top was reached at 243½. From October 4 to 11, the stock closed every day with a gain and on October 11 closed 3½ points over October 10. Then on October 14 opened one point higher and closed at 233, the low of the day, down 8 points. This was an indication on the daily chart to go short. A wide-open break followed and you should have sold more short when it broke 200, or at 197 stop. On November 13 it declined to 95 and on December 9 rallied to 155 and

started down again, declined to 98⅛ in March, 1930. The fact that this stock could never rally above the high of December 9, 1929, and all the time was making lower bottoms on the daily and weekly charts, showed that it was in a weak position. When stocks are very active and reach high or low levels, it is always important to watch the weekly charts for a change in trend, but watch the daily charts for the first indication of change in trend. The daily chart will show you where there are Resistance Levels more clearly than the weekly chart. U. S. Industrial Alcohol was late in making bottom in the 1921 Bear Campaign and was one of the last to make top in the 1929 Bull Campaign. Watch these early and late movers and never buck the trend; do not buy them when they still show down trend or sell them short as long as they show up trend, even if they are running against the general list of leaders.

COPPER AND METAL STOCKS

Most of the copper stocks were very slow and were late leaders in the 1921 to 1929 Bull Campaign. In order to determine the best ones to trade in and those that would be early and late movers, it would be necessary for you to keep up charts and study each individual stock in the group.

American Smelting & Refining.—It is well to know the history of this stock, which was a leader in the 1921 to 1929 Bull Campaign, especially from 1924 on. The high was reached in 1906 when the stock sold at 174, and the high in the 1916 Bull Campaign was 123. It declined in 1921 to 30. This was the same low as the stock sold in 1899, a very important support level. In 1925, the stock crossed 123, the high of 1916, which indicated much higher prices. It continued to make higher bottoms and higher tops, and in September, 1927, crossed 174, the highest in history. There was a quick reaction to 158 in October, 1927. When a stock goes into a new high level after many years, it is always a sign of higher prices but often a reaction occurs before the big advance takes place, and the time to buy is on the first or second reaction after it goes into new high territory. If you had bought American Smelting the second

time it went through 174, you would have made big profits and could have pyramided on the way up. In January, 1929, American Smelting sold at 295. Then a stock dividend was declared and the stock split up on a basis of 3 new shares for one old share. The low on the new stock was 85, high 130, in September, 1929, which would equal 390. It declined to 62 in November, 1929, which was a buying level. Note bottoms and support level from 58 to 61 in 1924. From low of 62, a rally followed to 79 in December, 1929. After that it held in a narrow trading range, and up to this writing, March, 1930, has failed to advance again to the high of December, 1929.

Anaconda Copper.—This stock was a late mover in the bull market of 1916, in fact, one of the last to have a fast run-up. This is one of the old copper companies and it is important to have a record of its prices a long ways back. The low in 1903 and 1904 was 15; low in the 1907 panic 25; again in 1915 and 1916 low 25. The high in November, 1916, was 105, the low in 1920 was 31 and the low in 1921 was 29, getting support around the same price in 1920 and 1921 and holding 5 to 6 points above the support level of 1907, 1915 and 1916. This was a good place to buy Anaconda with a short stop, although it was slow and required patience for a long time. In 1922, high was 57 in May and September. Then it declined again to a low of 29 in May, 1924, getting support again for the third time, which was a sure indication for higher prices later, provided it did not break 26, or 3 points under the support level. In May, 1924, it worked up slowly, making higher bottoms and higher tops each year, but remained in a sideways movement, showing accumulation, and did not cross 57, the high of 1922, until December, 1927, when it advanced to 60 and never reacted to 53 again. When the stock crossed the tops of six years past, it was safer to buy at new high levels for a bigger advance than it had been before, because crossing all of these old tops was a sign of a fast move up and a big one. In November, 1928, it crossed 105, the highest price in its history. This was another place to buy the stock for higher prices. In March, 1929, it advanced to 174. A stock dividend was declared and the new stock sold at 140

in March, 1929; declined to 99 in May; rallied to 134 in September, making a top 6 points lower than the highest point reached in March, 1929, which showed that distribution was taking place and the stock should be sold short after it had made a lower top. It declined rapidly after breaking 125, with very small rallies; broke 99 and on December 23, 1929, declined to 68. A feeble rally followed, and the stock reached 80 in February, 1930.

Kennecott Copper.—This stock was an early leader in the 1921 to 1929 Bull Campaign and advanced ahead of every stock in the copper group. Therefore, it was one of the good copper stocks to buy. The low in 1920 was 15 and it failed to get as low in 1921, making a higher bottom and a higher top each year until 1927, when a runaway move started from around 65. It advanced to 165, reaching final top in February, 1929. A stock dividend was declared and the new stock made high in March, 1929, when it sold at 104. It declined to 50 in November, 1929. This was the same low reached in March, 1926, from which the stock started up. This stock showed plainly in 1921 and 1922 that it was going to be a leader. The fact that it failed to break the low of 1920, making a higher bottom in 1921, showed that it was in position to lead and you should have bought it in preference to Anaconda or some of the other stocks.

It is always important to watch stocks and buy them after they cross the zone of accumulation or sell them after they break under the zone of distribution. By doing this, you will get quick profits without wearing out your patience and getting caught in a sideways movement.

International Nickel.—This stock was a late mover in the 1921 to 1929 Bull Campaign. The chart on page 97 shows very plainly that it was accumulating for a long time, but if you waited to buy until it crossed the zone of accumulation, you would have made quick money and saved time by not getting in too soon. The 1920 high was 26, low 12; 1921 high 17, low 12; 1922 high 19, low 12; 1923 high 16, low 11; 1924 high 27, low 11½. You can see that during all these years the stock was receiving support around 11 to 12. Somebody was taking all there was offered. There-

fore, it was safe to buy with a stop at 10, or, say, 3 points under 12, which would make the stop at 9. In 1922, the first year of the Bull Campaign, high was 19. My rule says that it is always better to wait until the stock advances above the first year of the Bull Campaign. In November, 1924, the stock crossed 20, which was above the high of 1922, a sure sign for higher prices. This was the place to buy. In September, 1925, it made 25, 3 points above the high of 1920. This was the point to buy more. In November and December, 1925, it advanced to 48. The weekly chart showed top and temporary period of distribution. In March, 1926, it declined to 33 and made the same bottom again in May. You should have bought it with a stop loss order at 30, or 3 points under the old bottom. It started up and made higher bottoms each month and in April, 1927, crossed 48. This was another place to buy more. It continued to work higher, making higher bottoms and higher tops; crossed 227, the old top of 1915 and 1916, and advanced to 325 in January, 1929, when a stock dividend was declared. The new stock was traded in on the New York Curb and made a low of 32 in November, 1928, the same low as was made in March and May, 1926, from which the big trend turned up. After a stock is split up it is always important to watch the old high or low levels from which previous moves started in the old stock, as the new stock will often receive support and meet selling at these same levels. Therefore, when the new stock of International Nickel declined to 32, it was worth buying with a stop at 29. The new stock advanced and made a high of 73 in January, 1929. Distribution took place around this level and it declined to 25 in November, 1929; then rallied to 42 in March, 1930.

The fact that International Nickel held at the same bottom around 12 for five consecutive years, from 1920 to 1924, showed big accumulation, and indicated that the trading was for some big buyer who did not bid for the stock, but who took all that was offered. While the stock was a late mover in the 1924 to 1929 Bull Campaign, it made the greatest advance of any stock in the metal group, going up 313 points from the low of 1924. It shows the value of

buying stocks after they have had big accumulation over a long period of time and of buying them after they get out of the zone of accumulation. The big move in this stock really started in April, 1927, at 41 and in 21 months to January, 1929, the stock had advanced 280 points, or an average gain of over 13 points per month. The greatest reaction at any time was 25 points and this was from 99 to 74. After it crossed 105 in April, 1928, there was a wild runaway bull move. Make up a weekly high and low chart on this stock, especially on the new stock from November, 1928, to date, and you will see the sharp top at 73 made in the week ending January 26, 1929. A sharp decline followed to 57; then a rally to 67, followed by a sideways distribution and a decline to 40½ in March, 1929. From this bottom it rallied to 60½ in the week ending September 21. From this third lower top a panicky decline followed. The stock sold at 25 in November, 1929, and rallied to 42 in March, 1930.

EQUIPMENT STOCKS

The stocks in any group that make bottom first, make top earlier in a Bull Campaign.

American Brake Shoe & Foundry.—This stock made low in December, 1920, when it sold at 40. It accumulated during 1921 and was a leader in 1922. The fact that it did not sell lower in 1921 than it did in 1920 showed that it was getting ready to lead in the next bull market. It reacted and accumulated in 1923 and 1924 and was again a leader in 1925 and reached high in February, 1926, at 280. In May, 1926, declined to 110 and in March, 1927, rallied to 152, when a stock dividend was declared. After that there were not any big trading opportunities in it.

American Car & Foundry.—This was another stock that made low in December, 1920, at 111 and was a leader in 1922. In October, 1922, it sold at 200; reacted and accumulated in 1923 and 1924 and advanced to 232 in March, 1925, when a stock dividend was declared. It never had any big move during the balance of the 1921 to 1929 Bull Campaign. Showed distribution and down trend from Sep

tember, 1925, to November, 1929, when the new stock sold at 76.

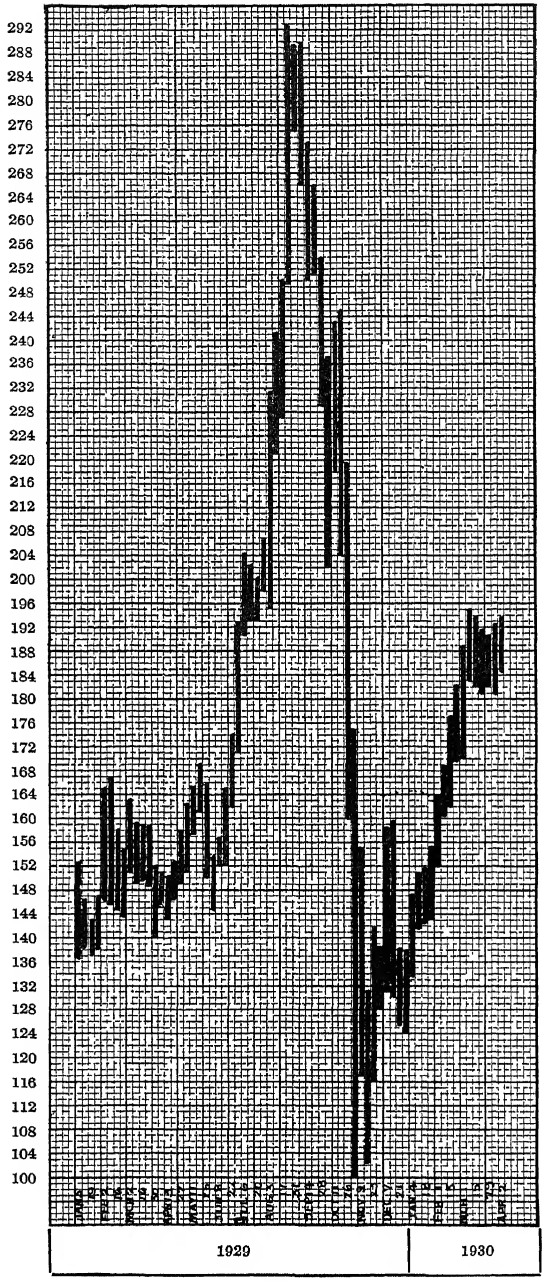
American Locomotive.—This stock was an early leader and made 145 in 1923; a stock dividend was declared and the new stock accumulated between 65 and 76. A fast advance started from 84 in December, 1924, and reached top in March, 1925, at 144. It failed to cross the old top of 145 made in 1923. After the trend turned down, this stock continued to work lower while other stocks were advancing, until June, 1928, when it declined to 87. Then it advanced to 136 in July, 1929, and declined to 90 in November, 1929.

Baldwin Locomotive.—This has always been one of the good, fast movers because the supply of stock has always been very small. The total number of floating shares was seldom over 100,000. In June, 1921, the low was 63, only 2 points under the 1919 low, and if you had bought at the 1919 low with a stop 2 points lower, the stop would not have been caught. It was a bull leader in 1922 and reached 144 in March, 1923. In May, 1924, it declined to 105 and in February, 1925, advanced to 146, getting 2 points above the top of March, 1923. It was a short sale at this level protected with a stop 2 points over the old top. In March, 1925, it declined to 107, getting support 2 points higher than May, 1924. This was another buying point. In February, 1926, it advanced to 136 and in March, 1926, when the market had a big panicky decline, it reached 93, the same low level of December, 1921, and January, 1923, from which a big advance started. After the decline in March, 1926, the trend again turned up and the stock met selling around 124 to 126 from July to October, 1926, and in November crossed 128 and went right on through 144 and 146, the tops of 1923 and 1925. Later it crossed 156, the highest price made in its history. Making a new high for all time indicated a further big advance and you should have bought more and pyramided all the way up. The stock reached the extreme high of 285 in March, 1928; had a quick decline. Then a stock dividend was declared, and the old stock was exchanged on a basis of 4 new shares for one of the old. The new stock sold at 66½ in August,

1929; then turned the main trend down, as you can see by making up a weekly high and low chart. Baldwin declined to 15 on October 29, 1929, equal to 60 for the old stock, which was 3 points under the low of June, 1921. Then followed a rally to 38 in February, 1930. This shows you that when American Brake Shoe, American Car & Foundry and American Locomotive were on the down trend, Baldwin was on the up trend and made top later in the Bull Campaign, while the others made top in the early years of the bull market and never went higher. The chart showed that Baldwin was in stronger position.

Westinghouse Electric.—Notice the yearly high and low chart from 1901 to date on page 97. August, 1921, low 39; February, 1923, high 67; May, June and July, 1923, same low at 53, where it received strong support; and in January, 1924, advanced to 65. In May, 1924, it declined to 56, receiving support at a higher level than the previous bottom. In December, 1924, it crossed 67 the high of 1923 and advanced to 84 in January, 1925; declined to 66 in March; rallied to 79 in August and again in February, 1926, made the same top at 79. In May, 1926, it declined to 65, only one point under the low made in 1923. This was a buying level with a stop at 63. See monthly chart 1925–1927 on page 82. In August, 1927, it crossed 84, the high of 1925 and later crossed 92, the tops of 1904, 1905 and 1906, which was a sure sign of much higher prices. In November, 1928, it crossed 116, the highest price in its history, which was made in 1902. Making a new high record after so many years of accumulation was a sure sign of a big advance to follow. This stock was in the same position as Baldwin when it crossed 156 and in the same position as American Smelting when it crossed 174 after so many years. After Westinghouse crossed 116, it never reacted to 112 until it advanced to 292 in August, 1929. The last advance of 100 points was made in 6 weeks. This is another example of my rule of fast moves of 6 to 7 weeks in the final grand rush. Refer to weekly chart from January 5, 1929, to April 12, 1930, on page 144. The stock made a sharp top; declined to 275; rallied to 289, making a lower top; then broke 275, the bottom of the first reaction, which

CHART No. 12
Westinghouse Electric & Mfg.
Weekly High and Low. 1929–1930



showed that the trend had turned down. A fast decline followed, reaching 202 on October 3; a quick rally followed to October 11, when it advanced to 244. Then started on another panicky decline. When it broke 200, you should have sold more stock and pyramided on the way down. On October 29 it sold at 100; then rallied to 154; declined to 103 on November 13, making a higher bottom. This was an indication of a strong position and you should have bought with a stop under 100. The advance started and the stock reached 159; then declined again to 125 and started up. The last tops on the weekly chart were at 154 and 159 and when it crossed 160 was an indication for a much further advance and you should have bought more stock. It advanced to 195 in March, 1930; met good selling and then reacted.

FOOD STOCKS

Beech-Nut Packing.—July, 1922, low 10, March, 1923, high 84. It held in a slow, narrow, trading range until April, 1927, when it reached a low of 50; then advanced to 101 in January, 1929; declined to 45 in November, the same low as it made in April, 1924. This was a buying level for a rally.

California Packing.—July, 1921, low 54; advanced in 1922; held up well in 1923; then advanced rapidly in 1924 and 1925; reached top in February, 1926, at 179; had a sharp decline to 121 in March, 1926. Later declared 100 per cent stock dividend and had no more big moves the balance of the 1921 to 1929 Bull Campaign.

Continental Baking "A".—Reached high in 1925 when it sold at 144; then worked lower to April, 1928, when it sold as low as 27. In July, 1929, it rallied to 90 and in October, 1929, declined to 25, holding 2 points above the low level of 1928, a support level, where you should have bought with a stop loss order at 24.

Corn Products.—This stock was reviewed in TRUTH OF THE STOCK TAPE. It made high in 1924 when it reached 187 and a stock dividend was declared, and an exchange made on a basis of 5 new for one old share. The

new stock held in a narrow, trading range during 1924, 1925 and 1926 where it was accumulated. It became more active in 1927 and advanced to 126 in October, 1929; declined to 70 in November, 1929; then rallied to 109 in April, 1930.

Cuyamel Fruit.—This stock was an early mover and also a late mover in the 1921 to 1929 Bull Campaign. In January, 1924, it made top at 74; then worked lower until February, March and April, 1927, when it declined to 30. At this level it was accumulated and started up again; reached top in the early part of October, 1929, when it sold at 126; then declined to 85 on October 29, 1929.

General Foods.—Postum Cereal was an early mover and made its first top in February, 1923, when it sold at 134. Later a stock dividend of 100 per cent was declared and accumulation of the new stock took place around 47 to 58. It crossed the Resistance Level at 58 to 60 in September, 1924, and advanced to 143 in August, 1925, when there was another stock dividend. The new stock declined to 65 in November, 1925, and in May, 1928, advanced to 136. It was later consolidated with General Foods, which was distributed in 1929, and reached top at 81 in April, 1929; then declined to 35 in October, 1929. This company is controlled by the Morgan interests and no doubt in later years will advance to much higher prices. You should keep a chart on it, watch it and buy it at the right time.

Ward Baking "B".—In April, 1924, made low at 14, where it showed big accumulation and good support. In October, 1925, advanced to 95. The trend then turned down and it worked lower to October, 1929, when it sold at 2. It made lower bottoms and lower tops in 1926, 1927, 1928 and 1929. It was a short sale all the time while some of the other stocks in the same group showed up trend. This was one of the new stocks, organized in recent years and was overcapitalized, which caused the big decline after it had been distributed to the public.

MOTORS OR AUTOMOBILE STOCKS

This group of stocks furnished some of the best leaders during the 1921 to 1929 Bull Campaign and traders who studied each individual stock were able to determine the stocks which were in position to have the biggest advances.

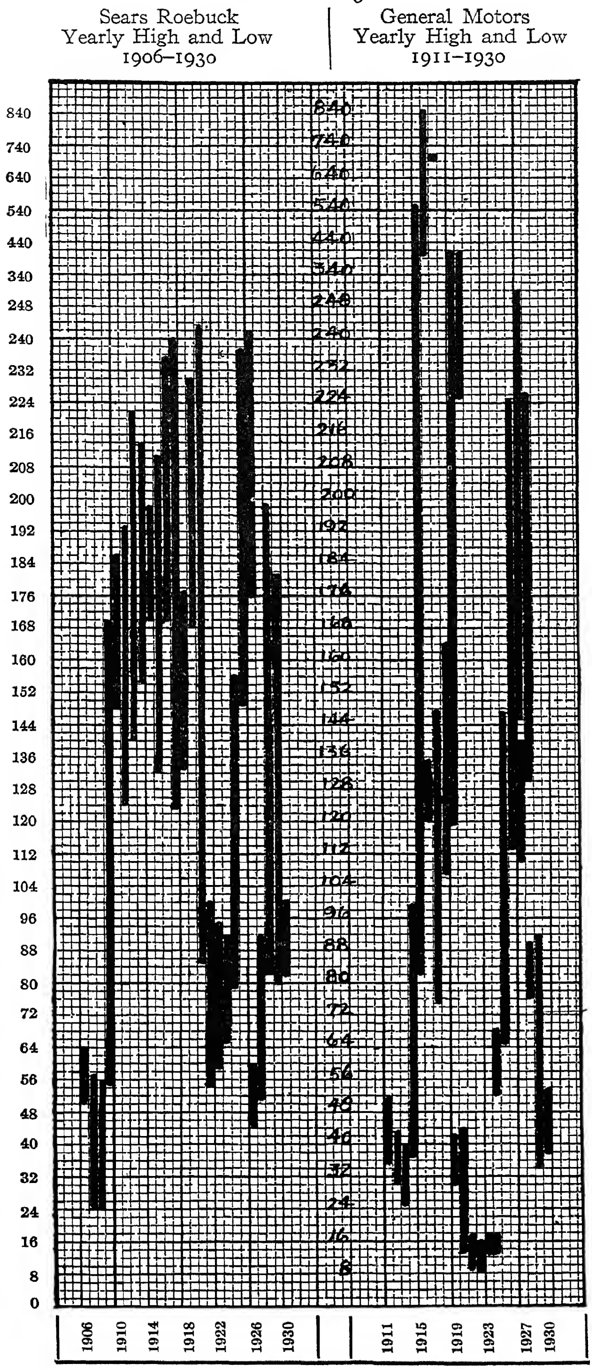
Chrysler.—Formerly Maxwell Motors, was one of the early movers and leaders in the 1921 to 1929 Bull Campaign. The Maxwell "A" stock sold at 38 in 1921; advanced to 75 in 1922; declined to 36 in 1923. Failing to go 3 points under the 1921 low level showed good support and was the place to buy. The advance started after the name was changed to Chrysler. The first big advance culminated in November, 1925, when it sold at 253. At this time a stock dividend was declared and the new stock sold at 56 in December, 1925. In March, 1926, it declined to 29; showed good accumulation and started up, making higher bottoms and higher tops during 1926 and 1927. After meeting good selling around 60 to 63 from August, 1927, to March, 1928, the big move started and in October, 1928, the stock reached top at 140, where big distribution took place, lasting about 4 months. Then the main trend turned down, as you can see from the monthly and weekly charts, and this stock was in a real bear market from January, 1929, on. It declined to 66 in May, 1929; rallied to 79. It showed great weakness and a lot of stock was distributed between 66 and 78. In September, 1929, it broke 66, the old bottom, and declined to 26 in November, 1929, which was 2½ points under the low of March, 1926. Then a rally followed to April, 1930, when it sold at 42. This stock was a public favorite and was distributed at very high levels; that is the reason it declined to such a low level and had such a feeble rally up to this writing.

Hudson Motors.—Was a late mover in the 1921 to 1929 Bull Campaign. May, 1922, low 19; August, September and October, 1922, low 20. March, 1924, high 29. May, 1924, low 21. Thus you will see that the extreme low was made in 1922, and the bottom in 1923 was one point higher and again in 1924 made bottom one point higher. The stock held in a narrow, trading range for 3

years while accumulation was taking place. In December, 1924, it crossed 32, the high of 1922, and a fast advance followed. In November, 1925, first top was made at 139. In December a sharp decline followed, carrying the price down to 96. Then it rallied to 123, where distribution took place during January, February, and March, 1926. The main trend turned down and the price worked lower until October, 1926, when it sold at 44. Accumulation again took place and the stock started up. In March, 1928, it reached top at 99. After that it held in a range between 77 and 97 until September, 1929. This showed another period of big distribution. In November, 1929, the stock declined to 38, not quite 3 points under the low of October, 1926. This, being an old Resistance Level, was a buying point. The stock rallied to 62 in January, 1930.

General Motors.—This stock has made more millionaires and more paupers than any other stock in the motor group. Instead of its abbreviation being GMO it should be G.O.M., meaning "Grand Old Man" of the motor industry. It holds the record for being a bull leader in the 1915 and 1916, 1918 and 1919 Bull Campaigns, and had some of its greatest advances in the 1924 to 1929 Bull Campaign. (See yearly chart, 1911–1930, on page 149.) The low in 1913 was 24 and the top in November, 1916, was 850. Then a stock dividend was declared and the stock split up. It declined to 75 in November, 1917, where it received good support and showed big accumulation. It led the 1919 Bull Campaign; reached top in November when it sold at 400. A quick decline followed to 225 in February, 1920; then rallied to 410 in March, 1920, when the stock was split up on a basis of 10 for 1. In March, 1920, the new stock sold at 42, which was equal to 420 on the basis of the old stock. There was big distribution and the trend turned down and did not reach bottom until January and March, 1922, when it sold at 8¼, which was equal to 82½ compared with 420 top in March, 1920. At this time there were about 50 million shares of stock outstanding. It moved in a very slow range, finally reaching 17 in April and May, 1922; declined to 13 in July, 1923; rallied to 16 in August, and in January, 1924, sold at 16,

CHART No. 13


Sears Roebuck
Yearly High and Low
1906–1930
General Motors
Yearly High and Low
1911–1930
840
740
640
540
440
340
248
240
232
224
216
208
200
192
184
176
168
160
152
144
136
128
120
112
104
96
88
80
72
64
56
48
40
32
24
16
8
0
1906
1910
1914
1918
1922
1926
1930
1911
1915
1919
1923
1927
1930

the same top. In April and May, 1924, declined to 13 again, making the same bottom. It held in a trading range between 8¼ and 16 from October, 1920, to June, 1924. A period of 3½ years of accumulation certainly meant that a big advance would follow later and that it would last a long time before it reached the period for distribution. In June, 1924, there was an exchange of stock on a basis of 4 shares of new stock for 10 of the old, which reduced the number of shares outstanding. The new stock started up from 52 and worked higher until early November, 1925, when top was reached at 149 for a temporary reaction. A quick decline followed and the stock sold at 106 in the latter part of November. The upward trend was again resumed, while White Motors and other motor stocks were moving down, just opposite to General Motors. In August, 1926, another top was made at 225 and a stock dividend of 50 per cent was declared. The new stock declined to 141 in September, 1926; then advanced to 173 in October, where a temporary top was made and a sharp decline followed in November, making a low of 137⅝, just about 3 points under the low of September, where there was large volume and good support, and after a period of accumulation the trend turned up again. In March, 1927, the price crossed 173, the high of October, 1926, and the big upswing was again on. Top was reached in October, 1927, when General Motors sold at 282. There was a stock dividend of 100 per cent declared in August, 1927. Trading in the new stock, when issued, started on the New York Curb. It sold at 111 in August and then started up and in October, 1927, sold at 141, equal to 283 for the old stock. It declined to 125 in November and December, where it received good support and started to work higher. In March, 1928, crossed 141, the high of October, 1927, and a rapid advance followed. In May, 1928, General Motors made top at 210; a sharp decline started and in June it sold at 169, where support was again encountered and the advance resumed. In October and November, 1928, top was again reached at 225. Note this is the same level as top in 1926. There was heavy selling around this level and big distribution took place. A decline in December carried the stock down to 182,

when another stock dividend was declared. In December, 1928, the new stock declined to 74, and then slowly worked up until March, 1929, when top was reached at 191¾. At this time the volume of sales was over 1½ million shares per week for 4 consecutive weeks, showing big distribution. On March 26, the day of the big decline, General Motors sold at 77¼ and in the latter part of April rallied to 88½ with the weekly volume of sales over one million shares, showing good selling. The fact that it failed to reach the old top was a sign to sell short. The decline started and in May the low level of March was broken, a sure sign of a down trend. In the latter part of July, General Motors sold at 66¼ and on September 3, 1929, rallied to 79¼, the last top, with a weekly volume of 1½ million shares. This indicated good selling, especially as the stock failed to get 3 points above the top made at 77¼ on July 3. There were 4 weeks' bottoms around 71¾ to 72¼ made between August 21 and September 21. During the week ending September 28 General Motors broke 72 and declined to 66. When it broke 72 it was time to sell more short and pyramid on the way down. On October 29 it sold at 33½ and the sales for the day were 971,300 shares and the sales for the week were 2,225,600 and for the next 3 weeks sales ran over one million shares per week. On October 31, 1929, the stock rallied to 46¾; then declined to 36 on November 7. Sales for the week ending November 16 were 923,000 shares. For the week ending November 23 the sales were only 318,000 shares and the stock rallied, showing liquidation had run its course. On December 9 and 10 it rallied to 44¾; on January 18, 1930, declined to 37½, sales 320,000 shares, which indicated no heavy liquidation. This was a second higher bottom after the stock crossed 42, where it had met resistance for several weeks, and again indicated higher prices. On April 9, 1930, General Motors advanced to 54, the volume of sales increasing. It is important to note that from June, 1924, to March, 1929, no reaction lasted more than one month, or that when a reaction ran into the second month, the price did not decline 3 points under the low of the previous month. This is a good rule to follow—never sell a stock short that will not react more

than one month from a top. During the time that General Motors reacted only one month and then went higher, Hudson, Mack, White and other motor stocks, which advanced in 1924 and 1925 when General Motors was accumulating, were going down and showed weak positions, while General Motors showed a strong up trend. General Motors, having been a leader in all of the bull campaigns from 1914 to 1929, you cannot expect it to be a leader in the next bull campaign, so look over your motor stock group and pick a leader that shows accumulation and indicates it is in a position to lead.

Mack Trucks.—This was another early mover among the motor stocks. One of the reasons for this was the small capitalization. There were only 339,000 shares outstanding and it was easy for a pool to move this stock up. The low was 25 in 1921, and in April, 1923, the high was 94. In June, 1923, low was 64, where it had big accumulation during 1923 and 1924. This showed that somebody was buying all of the stock they could get, preparing for another big upward move. In August, 1924, the stock crossed 94, the high of 1923; made top at 242 in November, 1925, where distribution took place and a stock dividend declared. Then the main trend turned down. In March, 1926, it declined to 104; rallied to 136 in August, 1926. After that made lower tops and lower bottoms—January, 1927, low 89; May, 1927, high 118; April, 1928, low 83; February and March, 1929, high 114, a lower top than May, 1927; March and May, 1929, declined to 91; September, 1929, rallied to 104. This was a very feeble rally and showed that big distribution was taking place. The distribution period really lasted from 1925 to 1929. The stock declined to 55 in November, 1929. Note last support level in October, 1922, was at 53. Mack Trucks rallied to 85 in March, 1930, which shows only a rally in a bear market.

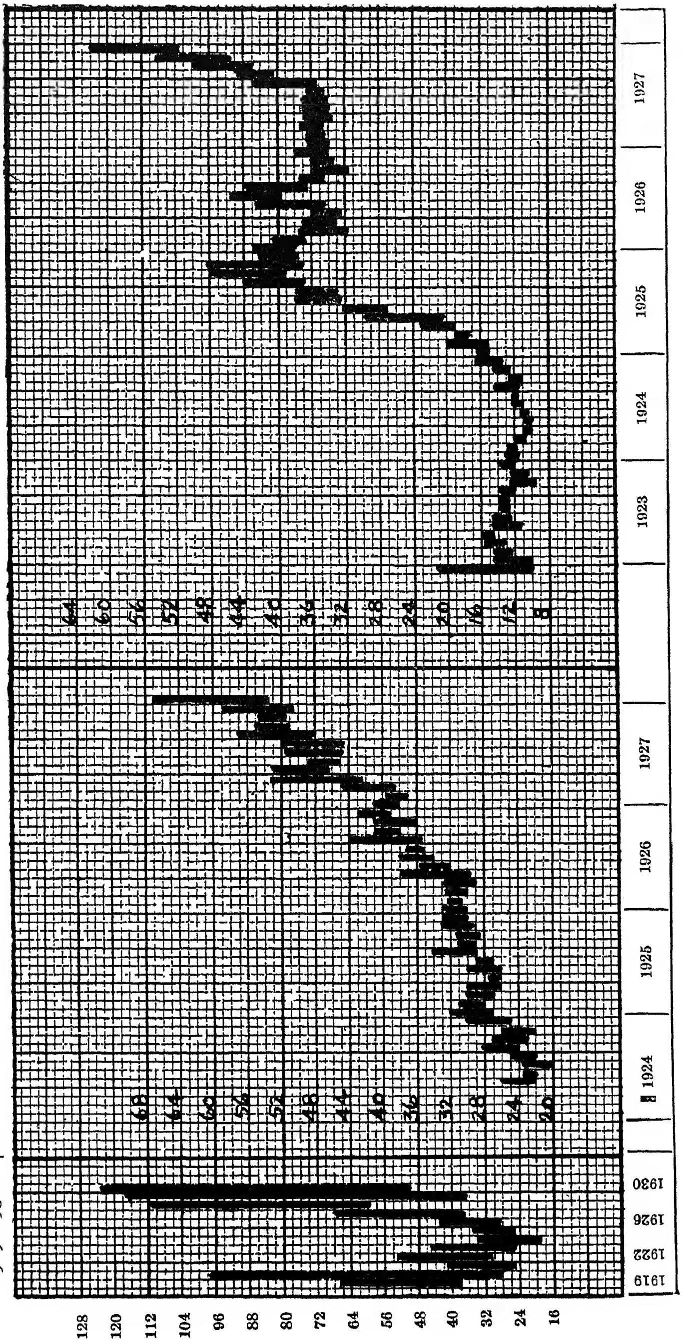
Packard Motor Car.—This stock was a late mover. 1921, low 5; December, 1922, high 21; November, 1923, low 10; May, 1924, low 10. It showed big accumulation between 10 and 16. (See monthly chart, 1923–1927 on page 153.) In April, 1925, crossed 21, the high of 1922, which was the place to buy the stock for a big advance. October and No-

Chart No. 14

Vanadium
Yearly High
and Low
1919–1930

Vanadium
Monthly High and Low
1924–1927

Packard Motor
Monthly High and Low
1923–1927



vember, 1925, high 48; declined to 32 in March, 1926. In July, 1926, advanced to 45; October, 1926, declined to 32, same low as March. There was big accumulation between 33 and 38 from October, 1926, to July, 1927. In August the big advance started and in October it crossed 48, the high of 1925 and a further big advance followed. From May, 1927, when it sold at 34 the last time, every monthly bottom was higher until December, 1928, when the top was reached at 163. This was an advance of 130 points without any sign of a change in the main trend and was a great move to pyramid. In March, 1929, it declined to 117; May, 1929, rallied to 154. In July declined to 128 where it again showed accumulation and good support; in September advanced to 161. The stock was split up on a basis of 5 for one. The new stock sold at 32 in September, 1929, equal to 160 for the old stock. In November, 1929, the new stock declined to 13, equal to 65 for the old stock, down nearly 100 points from the top. A study of the monthly high and low chart on Packard at the bottom will show you where there was big accumulation, and how the stock had gotten into a strong position to make a big move up after some of the other motor stocks had been leaders in the early part of the Bull Campaign.

Studebaker.—This was one of the best and one of the first leaders in the 1921 Bull Campaign. This stock was referred to in TRUTH OF THE STOCK TAPE as being one of the stocks in strongest position. In December, 1920, it reached a low of 38; advanced to 141 in 1922. There was a stock dividend declared in 1924. After that the stock acted very much like Packard, as you can see from a monthly chart. After making a high of 68 in November, 1925, it declined to 47 in May, 1926. Around this level big accumulation took place. It continued in a trading range the greater part of 1926 and 1927. In January, 1928, it crossed 68, the high of 1925, and in January, 1929, made top at 98 and the main trend turned down. It declined to 38 in November, 1929, the same low level where it made bottom in September, October and November, 1924, and also the same low level reached in December, 1920. This stock had a small rally to 47 in February, 1930.

White Motors.—This was one of the early leaders which made top in late 1925 and never went higher. 1921, low, 29; then started a second advance in June, 1924, and made final top at 104 in August, 1925. Distribution continued until October and November, 1925, when the main trend turned down. Rallies were very small until April, 1926, when it made a low of 52; in August rallied to 64; then another period of distribution took place and the downward trend was resumed. In November, 1927, White Motors sold at 30, just one point above the 1921 low and a sign of weakness, but a place to buy for a rally. In April, 1929, rallied to 53; declined in November, 1929, reaching a low of 28, getting support around the 1927 and 1921 low levels, another place to buy. There was a rally to 43 in April, 1930.

Suppose a trader or an investor had bought this stock any time during 1926, 1927 or 1928 just because General Motors was strong and advancing, expecting it to follow General Motors, he would have suffered heavy losses because the trend on White Motors was down, while General Motors showed strong up trend. Learn to never buck the trend. Do not buy one stock in a group to follow another stock unless it shows a strong position. Judge each stock on its own position according to the chart.

OIL STOCKS

Many of the oil stocks made high in 1922 and the early part of 1923, but failed to participate to any great extent in the 1924 to 1929 Bull Campaign. The cause of this was due to overproduction, but the day is coming when this will stop. With the demand constantly increasing, the oils will come into their own as soon as production decreases. Of course, there is a possibility of some new chemical discovery which will take the place of gasoline and hurt the earnings of the oil companies. Nevertheless, the good oil companies should be watched for future possibilities, and when they get active and the trend shows up according to the charts, you should buy them.

Mexican Petroleum.—The great bull leader in the 1922 to 1923 Bull Campaign, started up from 85 in August, 1921, and advanced to 322 in December, 1922. The stock was exchanged for stock in Pan-American Petroleum Co. Mexican Pete was one of the best oil stocks to buy in 1921 for a big advance as it showed big accumulation and rallied quickly, making higher bottoms and higher tops after low was reached. The fact that there was a very small floating supply made it easy for pools to advance the stock, especially as it possessed real value and merit.

Atlantic Refining.—Was another early leader in the 1921 to 1929 Bull Campaign. In January, 1923, it reached high at 160 and in July, 1924, declined to 79; in February, 1925, advanced to 117; and declined in March, 1925, to 98. Then followed another rally to June and July, 1925, when it reached a high of 116, failing to cross the top of February, 1925, which was an indication for a short sale. There was good selling around this level and in August, 1925, the stock declined to 97. It advanced to 110 in November, 1925, and again declined to 97 in March, 1926, which was another place to buy protected with a stop at 94. A quick rally followed and in May, 1926, the stock sold at 128. This was a sharp, quick rally and was followed by a quick reversal and a sharp decline to 97 in October, 1926. This was the fourth time the stock had made bottom at this level and was good to buy again with stop at 94. In August, 1927, it advanced to 131, just 3 points above the top of 1926. This was another sharp top. The trend quickly reversed and the price declined to 96 in February, 1928, which was the fifth time it had been supported around this level. It was again a good buy with a stop at 94. Another fast advance followed and in April the stock crossed 1926 and 1927 tops and went up to 140, the top of January, 1924, where it met selling for 3 months and in June, 1928, declined to 111; then rallied to 141, a new high and closed the month at 139. In July, 1928, it advanced to a new high of 143, when you should have bought more stock, as this was an indication for a big advance to follow, because after making so many bottoms at 96 and 97 and then making a new high indicated that it would go very much higher. In

October, 1928, when it was selling around 238, a stock dividend was declared. In December, 1928, the new stock sold as low as 50; then slowly worked up until July, 1929, when it made top at 77; declined to 30 in October, 1929; rallied to 51 in April, 1930.

General Asphalt.—This was one of the big leaders in the 1919 Bull Campaign. In July, 1922, it made high at 73 and in August, 1923, sold down to 23, which was under the 1920 and 1921 lows, an indication that the stock was in a weak position and would not be a leader. In August, 1926, high 94; March, 1927, high 96; April and May, 1928, high 95; August, 1929, high 95. Making the same top for 4 consecutive years and failing to go higher was a sure sign for a short sale. The stock declined to 43 in November, 1929; rallied to 71 in April, 1930.

Houston Oil.—This stock has a very small floating supply, and is easily influenced by manipulation. August, 1921, low 42; October, 1922, high 91; August, 1923, low 41. This was the place to buy protected with a stop at 39, because it was the same bottom as 1921. In February, 1925, it advanced to 85 and in March and October, 1926, made a low of 51. After a long period of accumulation (see swing chart on page 75) a big move started and in February, 1927, it crossed the highs of 1922 and 1925 and a runaway advance followed. In July and October, 1927, high 174 and 175. There was distribution near the top and the main trend turned down and this stock was not a leader any more for the balance of this Bull Campaign. In October, 1929, the stock declined to 26. A big advance followed from this low level and in March, 1930, it advanced to 110. This stock rallied more than any other oil stock of its kind due to the fact that the floating supply of the stock is small.

Pan-American Petroleum "B".—Made low in August, 1921, when it sold at 35. In October, 1922, advanced to 94, being one of the early leaders, but was never a good leader any time after that. February, 1924, low 42; March, 1925, advanced to 84; February, 1928, declined to 38; then followed a rally to 68 in August, 1929, and in the panic declined to 50 in October, 1929. You can see that after this stock made top in 1922, while it had rallies, the bull

move ended in 1922; therefore, it was not the kind of an oil stock to play for a leader on the bull side.

Phillips Petroleum.—Made final high in April, 1923, when it sold at 69; never went higher during the bull campaign; worked lower and in November, 1929, declined to 24, rallied to 41 in April, 1930.

Standard Oil of California.—Made high in October, 1922, at 135; declared a stock dividend. In August, 1923, the new stock sold at 48; then remained in a narrow, trading range, finally advancing to 82 in June, 1929; declined to 52 in October, 1929, making bottom 4 points above the low of 1923, which showed strong support; rallied to 73 in April, 1930. This is one of the best Standard Oil stocks and is good to buy as long as the charts show up trend.

A few of the oils had a rally in July and August, 1929, but it was too near the end of the bull campaign and a sharp decline followed. It is plain to see that, with a few exceptions, the man who stuck to oil stocks from 1922 to 1929 had very limited chances for making big profits, and if he continued to trade in oil stocks, he missed many opportunities in other active stocks that were leading in the Bull Campaign. It pays to stick to the active leaders and you should not wait too long before changing from an inactive stock to an active one.

PUBLIC UTILITIES

This group of stocks led the final grand rush in the 1929 Bull Campaign and put the night cap on the bull market. They were late movers. The last fast move was caused by buying for investment trusts who made some big mistakes and bought stocks near the top. Shorts covered in the last stage of the bull market and the public came in and bought, forcing the public utilities to abnormally high prices and it was only natural that a sharp, severe decline had to follow.

American & Foreign Power.—In September, 1925, high was 51; in October and November, 1926, made a low at 15; was accumulated in 1927 and part of 1928. In November, 1928, crossed 51, the high of 1925, an indication for much higher prices. In September, 1929, reached top at

199. The move collapsed and in October, 1929, made a low of 50, getting back to the low of 1925, which was a buying point with a stop at 48. In December, 1929, American Foreign Power rallied to 101; reacted to 89. In February, 1930, advanced again to 101, and failing to cross this top, showed that it should be sold short. In March, 1930, it declined to 83.

American Power & Light.—November, 1924, low 38; January, 1926, high 79; March, 1926, low 49. It was in an accumulating stage after that until April, 1928; crossed 80, the top of 1926, and advanced to 95 in May, 1928. Had another period of rest and accumulation until December, 1928, when it started up from 76. Made final high at 175 in September, 1929. This was a sharp top and like American Foreign Power and U. S. Industrial Alcohol, which were late movers, had a sharp decline. When American Power & Light broke 154 in October, which was under the low for the month of September, it indicated down trend, and if you were short, you should have sold more. In November, 1929, it declined to 65. This was the same low level made in February, 1928, before the big up move started, and a place to buy. In March, 1930, the stock rallied to 119.

Brooklyn Union Gas.—Low in 1924, 57; November, 1925, high 100; March, 1926, low 68; advanced to the highest price in history in August, 1929, reaching 248. It made a sharp top, collapsed and a sharp decline followed, reaching low in November, 1929, when the stock sold at 99. Then rallied in March, 1930, to 178. This was another late mover, but being one of the best public utilities, was good to buy in the panic of 1929.

Standard Gas & Electric.—Low 19 in 1923; February, 1926, high 69; March, 1926, low 51; was in a trading range and showed accumulation until late in 1928, when it started a fast move up. Made final top at 243 in September, 1929. A wide-open break followed and in November, 1929, it sold as low as 74. A rally followed to April, 1930, when it advanced to 128.

These fast moves in the late moving stocks in the last stage of a bull market prove that you must act quickly and

get out of longs in the last stage of a bull market, for if you hold on and hope, you will be ruined with heavy losses. The daily and weekly high and low charts will help you to see the change in trend in these rapid movers and enable you to get out of the longs and go short before it is too late.

RUBBER AND TIRE STOCKS

The stocks in this group were not good leaders in the first section of the 1921 to 1929 Bull Campaign. They did not have any very big advances from 1921 to 1923 and some of them made lower levels in 1923 and 1924 than they did in 1921.

Goodrich.—Made the same low in 1920 and 1921, selling at 27. In May, 1922, rallied to 44. This was a small rally after such a big decline from the 1919 high. In November, 1922, declined to 29, which was a sign of weakness getting down so near the 1921 low after having such a small rally. In March, 1923, high 41, a lower top than 1922. The trend turned down again and in October, 1923, the stock sold at 18. Getting lower than the 1921 low indicated a weak position. In January, 1924, rallied to 26, failing to get above the lows of 1920 and 1921; in June, 1924, made low at 17 and in September, 1924, crossed 26, the last top or Resistance Level and turned the main trend up. This was the place to buy. You could have bought on the double bottom, as the stock made practically the same lows in 1923 and 1924, but the place to buy for a quick advance was after the main trend turned up. In November, 1925, it advanced and made high at 74. The main trend turned down again and in November, 1926, it declined to 39. Here accumulation took place and the main trend turned up. In January, 1928, it reached the high of 99; June, 1928, declined to 69, which was the same bottom as it made in September, October and November, 1927. There was good support and the advance was resumed. In December, 1928, final high was reached at 107. This was a sharp top and the trend turned down quickly and continued down until December, 1929, when a low of 39 was made. This was the same low as November, 1926, and a Resistance Level,

where you should have bought with a stop at 36. Goodrich rallied to 58 in March, 1930.

Goodyear.—This stock made a low of 5 in 1921, but was slow until 1927 when the upward swing started. January, 1928, high 72; June, 1928, low 45. A fast advance started and reached top in March, 1929, making high at 154. This was a sharp top and a sharp, quick decline followed. In October, 1929, it declined to 60. A rally followed to March, 1930, when the stock reached 96.

U. S. Rubber.—1921 low 41, down 102 points from the 1919 top; April, 1922, rallied to 67, a small rally after a big decline and indicated weakness; December, 1922, low 46. Making a higher bottom than 1921, this was the place to buy for a rally. March, 1923, high 64, a lower top than 1922, and a sign of lower prices. Remember the rule that a stock must cross the highs of the first year of a bull campaign before it indicates any further big advance. In April, 1924, declined to a new low at 23. Around this level it was dull and narrow and accumulation took place. In January and February, 1925, it advanced to 44, a Resistance Level, where bottoms were made in July, August and September, 1923. The stock reacted to 34 and in April, 1925, crossed 44 which showed it was in a strong position and the point to buy more. In November, 1925, reached high at 97, making a sharp top, and a quick, sharp reaction followed, the main trend turning down. In May, 1926, low 51; August, 1926, high 68; October, 1926, low 52, another buying level against the low of 51 with a stop at 48. In March, 1927, made top of rally at 67, a sign of weakness because it failed to cross the high of August, 1926. The trend turned down again and in June, 1927, reached a low of 37. A rally followed to January, 1928, when it made high at 63, another lower top and a sign of lower prices. In June, 1928, declined to 27, holding 4 points above the low of 1924, indicating good support. This was a buying level. The trend turned up and in March, 1929, made high at 65, 2 points above the 1928 high. Failing to make 3 points higher indicated lower prices, and failing to cross 1926 and 1927 highs around 67 and 68 was a sign of weakness and the stock should have been sold short. A quick decline followed

and the main trend turned down again. May, 1929, low 46; rallied to 58 in September, 1929, and in October, 1929, declined to 15, the lowest level since 1907 when it sold at 14. This was a buying level protected with a stop at 12. A rally followed and in April, 1930, the stock advanced to 35. This stock had been going down for 5 years or from November, 1925, while other stocks were going up. Therefore, liquidation has run its course and U. S. Rubber can go up while other stocks which were late movers decline. Make up a monthly chart from the monthly high and low prices printed in back of the book. The fact that the Du Ponts control it is a strong argument that it will have a big advance in later years. It will probably go much higher in 1932. This stock is one of the good stocks in the rubber group to buy.

STEEL AND IRON STOCKS

Bethlehem Steel.—I have stated before that after a stock has a tremendous advance, it may be many years before it will be a leader in another bull campaign and have big advances. Bethlehem Steel sold at 8 in 1907 and during the war boom sold at 700 in 1916, when a stock dividend was declared and the stock split up. In 1921, the low on the new stock was 40. It advanced to 79 in 1922. Then the trend turned down, and in 1924 it sold at 38 and rallied to 53. In June, 1925, sold at 37, a buying level against 38 bottom in 1924. Bethlehem rallied to 50 in November and December, 1925; again declined to 37½ in April, 1926, which was a support level, and should have been bought with a stop at 35. In August, 1926, advanced to 51, but failed to cross the high of 53, which was made in January, 1925, another indication that the stock was not ready for any big move up. During September and October, 1926, and again in January, 1927, Bethlehem sold at 43½, showing a higher support and indicating that the stock was in a stronger position and getting ready to go higher. In April, 1927, it crossed 53, the old top, and turned the main trend up, but reacted to 46 in June; then advanced to 66 in September, and reacted to 49 in October, 1927; advanced to 69 in April, 1928, another indication that it was going higher; had its

last reaction to 52 in June, 1928. From this level the big advance started and it made a high of 140 in August, 1929. Like all late movers, it made a sharp top and a fast decline followed to November, 1929, when it sold at 79. Then rallied to 110 in April, 1930. Thus you can see that Bethlehem Steel, which had been a leader in the previous bull campaign was a late mover in the 1929 Bull Campaign. While U. S. Steel and U. S. Cast Iron Pipe had led in the early part of the 1921 to 1929 Bull Campaign and continued to work higher, Bethlehem Steel had remained in a narrow, trading range, as you can see from a chart, which shows plainly that from 1921 to 1927, it never indicated that it was ready for any big advance.

Learn to watch your charts and wait for a definite indication before getting into a stock. Only make your trades when a stock is active and crosses old Resistance Levels. In this way you will avoid being tied up with inactive stocks and will make profits much quicker.

Colorado Fuel & Iron.—This is another stock which you would have picked—if you had watched it at the bottom and applied the rules—as being one of the best to buy for a rally after the panicky decline in 1929, for the following reasons: Colorado Fuel had made top in July, 1927, therefore when it reached bottom in November, 1929, it had been declining over 2 years, and naturally, would be better liquidated and in position to rally quicker than U. S. Steel, which had only made top in September, 1929, and had only declined 2½ months. It made low on November 13, 1929, selling at 28. This was the same low as it made on March 26, 1926. However, Vanadium at this time failed to go as low as the March, 1926, levels by 8½ points, therefore, it showed a better support even than Colorado Fuel. Colorado Fuel & Iron rallied to 39 on December 9, 1929, and on December 20 and 23, declined to 32, making a higher bottom, showing it was being well supported and was good to buy. During the weeks ending November 23 to December 28, it made lows around 31½ to 32, showing that there was good support during all these weeks. In the early part of January, 1930, Colorado Fuel crossed 40, the high of December 9, 1929, and then worked higher, making higher

tops and higher bottoms until April, 1930, when it advanced to 76, up 48 points from the low of November. During the time that Vanadium Steel advanced 87 points from the bottom and Colorado Fuel 48 points, U. S. Steel only advanced 42 points. One of the reasons for this was that U. S. Steel, with a volume of over 8 million shares, required heavier buying power and a strong pool to put it up, and naturally, would meet much heavier selling on the way up than a stock that only had a few hundred thousand shares outstanding.

Crucible Steel.—This was one of the "war babies" and sold at 110⅞ in 1915; then declined to 46 in 1917; made a low of 52 in 1918 and 1919; had a big advance during the 1919 Bull Campaign and made final high in April, 1920, when it sold at 278¾. A study of the yearly high and low chart on page 99 will show you how this stock had been accumulated for years and was in position for a big advance when it crossed the old levels. When the stock reached the high in April, 1920, a stock dividend was declared. The new stock sold at 49 in August, 1921. It was one of the last stocks to make bottom around August 25, 1921. In September, 1922, advanced to 98; then turned the trend down and in May, 1924, made a low of 48, a buying level, being one point under 1921 low, but the fact that it got back this low showed that it was not going to be one of the early leaders in the 1921 to 1929 Bull Campaigns, because it had been a big leader in the 1919 Bull Campaign. It then worked up very slowly, and in March, 1927, reached 96; then declined to 80, and in August, September and October, 1927, advanced to 96 again, failing to cross the top of 1922, the first year of the Bull Campaign. In July, 1928, declined to 70; became dull and narrow, and was accumulated. The main trend turned up again and final high was reached in August, 1929, when it sold at 121. This was a late mover at the tail end of a bull market, and naturally made a sharp top and a collapse followed, declining in November, 1929, to 71, getting within one point of the low of July, 1928, which was a buying level, protected with a stop. You might ask why Crucible Steel was not a leader in the 1921 to 1929 Bull Campaign. The reason for this was that it was a leader

in 1915 and 1916 and again a leader in 1919 and 1920, and had an extreme advance to 278 when the stock was split up, therefore, it was not one of the stocks that could be expected to have another big advance in the next bull campaign. "Every dog has his day." This stock was a good dog and had its day; besides it had been split up and distributed. Watch for the new stocks with opportunities and those that have not been leaders, and avoid getting hung up, expecting some stock that has led before to be a leader later when the indications on the chart show it is not going to lead. Make up a monthly chart from high and low prices given in back of the book and study it.

Republic Iron & Steel.—This stock was a late mover in the 1919 Bull Campaign, making top in November, 1919, at 145. In June, 1921, it declined to 42; May, 1922, advanced to 78; November, 1922, again declined to 44, a support level, being 2 points above the low of 1921 and a place to buy with a stop. In March, 1923, advanced to 66. Failing to get as high as 1922 showed weakness and indicated that it was not going to lead at this time. In June, 1923, declined to 41, one point under the low of June, 1921. While this was a support level and a place to buy again, at the same time it indicated that the stock was not yet ready to have any big advance. In February, 1924, advanced to 61, again making a lower top than the previous high. In June, 1924, again declined to 42, a buying level; in August advanced to 50, and in October declined to 42, back to the support level. A stock is always good to buy at these levels until it breaks 3 points under its previous level. Three points under the first low level at 42 would make the stop at 39. In January, 1925, it advanced to 64, and in April, May and June, 1925, again declined to 43, getting support around the same low level, and still a place to buy with stop at 39. In January, 1926, made high at 63, failing to cross the top of 1925. In May, 1926, it again declined to 44, getting support at a slightly higher level, a good indication for a better advance to follow so long as the stock held these Resistance Levels. In August, 1926, high 63, still failing to cross the 1925 and January, 1926, high levels. Thus you can see that during 1921 to 1926, bottoms were

made at 44 to 41 and from 1923 to 1926, tops at 63 to 66. This showed that the stock was supported every time it declined below 44, but that someone sold enough to check the advance when it advanced up to around 63. In February, 1927, it crossed 66 and in March made a high of 75¾. but again failed to reach 78, the high of 1922, the first year of the bull campaign. Now, if 78 could be exceeded, it would indicate much higher prices. From March, 1927, the trend turned down and bottom was not reached until June, 1928, when it again sold at 50. From this level a fast upward move developed. In September, 1928, it crossed 78, and here would have been a place to buy more stock. The trend continued up to September, 1929, when it reached a high of 146¾, just 2 points above the 1919 top. Here you should have sold out longs and gone short at the 1919 top, with a stop 3 points away, and your stop would not have been caught. A fast decline followed to November, 1929, when the stock sold at 63, getting support at the same level at which it formerly had been sold on the way up when it had been rallying to these points. In April, 1930, the stock rallied to 82.

U. S. Pipe & Foundry.—Formerly U. S. Cast Iron Pipe, was one of the early and good leaders in the 1921 to 1929 Bull Campaign for the following reasons: (1) It had been accumulated for years (see yearly chart, 1902–1930, on page 46); (2) there was a very small capitalization of only 120,000 shares and much of this stock was not outstanding, or was closely held; (3) the earnings were good and the pools found it easy to advance the stock. This is the kind of stock that is dangerous to sell short when it shows up trend. In August, 1921, low was 12. (See monthly, weekly and daily charts on page 46 and explanation.) The trend turned up in January, 1922, and reached high at 39 in August, 1922. This was the same high as it made in 1919 and above all tops except 1906, which was at 53. In July, 1923, it made last low at 20, 3 points above the 1922 low, which showed good support and was a place to buy. The trend turned up again and and in October, 1923, crossed 40, above the 1919 and 1922 highs. This was the point to buy more stock and to

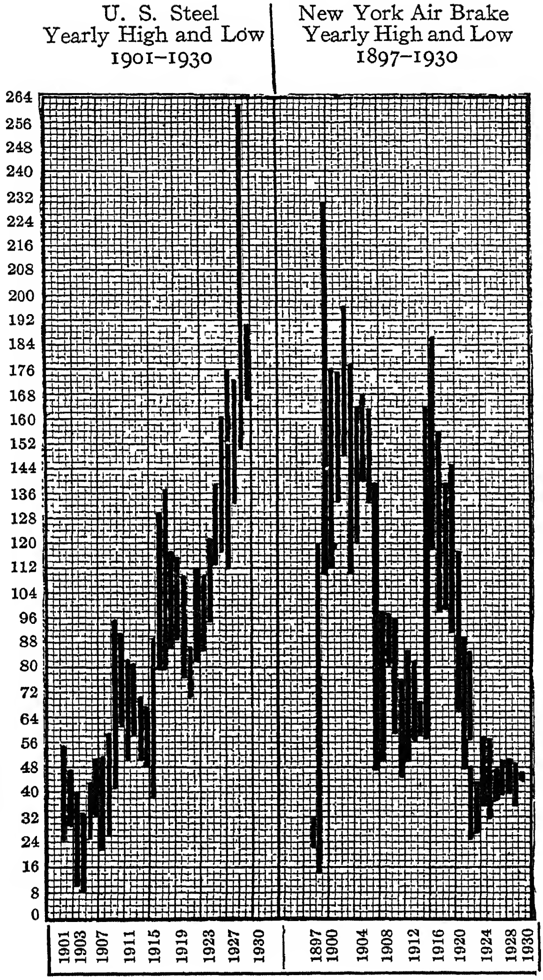
pyramid on the way up as the stock showed it was in a strong position and very active, making higher bottoms and higher tops. In November, 1923, it crossed 53 and went to 58 the same month, getting 5 points above the 1906 high, the record. This was the time and place to buy more of the stock. It never declined to 53 again until it sold at 250 in February, 1925. Then followed a sharp, severe decline to April, 1925, when the price reached 132. The trend turned up again and it sold at 227 in November, 1925. In May, 1926, it declined to 150, getting support 18 points higher than the low of April, 1925. The weekly and daily charts showed support here and bottom. The up trend was resumed and in August, 1926, top was made at 248, just 2 points lower than the top of February, 1925. This was the place to sell out longs and go short with a stop at 253. A sharp decline followed, and in October, 1926, it sold at 191. The weekly and daily charts showed bottom here. In December, 1926, it advanced to 239; January, 1927, declined to 202; rallied to 225 in February, made bottom at 207 in March, 1927. Making a higher bottom showed that it was getting in position to go higher. An advance followed, which culminated in May, 1927, when top was made at 246, just 2 points lower than the August, 1926 top. There was a big distribution around this level and this was the place to go short again. In July, 1927, the stock declined to 191, the same low as October, 1926, a buying level with a stop at 188. A rally followed and top was made in December, 1927, at 225. In February, 1928, the stock declined to 191, the third time at this same low level and a place to cover shorts and buy with a stop at 188. A rapid advance followed, and in May, 1928, the stock crossed 250, the high of February, 1925, and making 253 indicated much higher prices and you should have bought more even at this high level. In April, 1928, it made final top at 300 and a sharp decline followed, reaching 230 in June, 1928. A stock dividend was declared and the new stock sold at 38 in December, 1928; rallied to 48; declined to 38 in February, 1929, making a double bottom. Final high was reached in March, 1929, when the new stock sold at 55. Heavy selling appeared around this top and a fast decline followed. The main trend continued down until

November, 1929, when it made a low at 12, the same low as August, 1921, and a buying level. The stock rallied to 38 in April, 1930. (See yearly chart, 1902–1930, on page 46.)

U. S. Steel.—This has always been a good stock to trade in because it nearly always remains longer at tops or bottoms and gives traders a chance to buy or sell with a close stop loss order. Therefore study the yearly chart 1901–1930 on page 169 and make up a monthly high and low from prices in back of book.

In the 1921 to 1929 Bull Campaign, Steel was an early leader and also a late leader. It had three important moves, or three important bull campaigns, during the 8 years from 1921 to 1929. June, 1921, low 71; high for the year 1921 was 86. During July and August, 1921, the stock remained in a 4-point range, showing big accumulation. Each month after June, the bottoms were progressive or higher and the tops higher. In January, 1922, it crossed 86, the high of 1921, which indicated higher prices. In October, 1922, Steel made first top at 111; reacted to 100; in March, 1923, rallied to 109. Failing to reach the top of October, 1922, was an indication for a short sale. The main trend turned down and in July, 1923, it declined to 86 and held for 4 months, making bottoms at this same level, showing good support and big accumulation. This was the time to buy with a stop at 83. The trend turned up in November, 1923, and made top at 109 in February, 1924, the same top as March, 1923. This was the place for selling short with a stop at 112. It declined in May and June, 1924, and made low at 95, both months. The weekly and daily charts showed accumulation and bottom. In July, 1924, the trend turned up, and in August it reached 111, the high of March, 1923. A small reaction followed to 105 in October, 1924, and the price crossed 112 in November. This was the place to buy more for a further advance. In January, 1925, high was 129. Good selling took place around this level and in March U. S. Steel declined to 113, and made the same low in April; made one point higher in May and June, showing good support. The upward trend was resumed in July and the price reached 139 in November, 1925, the highest in

Chart No. 15


U. S. Steel
Yearly High and Low
1901–1930
New York Air Brake
Yearly High and Low
1897–1930
264
256
248
240
232
224
216
208
200
192
184
176
168
160
152
144
136
128
120
112
104
96
88
80
72
64
56
48
40
32
24
16
8
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1901
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1911
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1930
1897
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1920
1924
1928
1930

history, being 3 points above the 1917 high. This was an indication for higher prices later, but profit-taking checked the advance around this level for 3 months and finally the stock declined to 115 in April, 1926. Here big accumulation took place and in June the main trend turned up, and again a fast advance followed. Crossing 140 was the place to buy more. In August, 1926, it made high at 159. This was a sharp top, made on big volume, and a quick decline followed. In October, 1926, made low at 134. Here good buying was encountered and the trend started up again. In November, 1926, a stock dividend of 40 per cent was declared and the old stock advanced to 176 in May, 1927. The new stock started at 117 in December, 1926, and sold at 111¼ in January, 1927. This was a support level, as the lows in March and April, 1925, were 113. There was 3 months' accumulation around this level, and in March, 1927, it reached high at 161. Failing to get 3 points above the old high level was an indication to sell it short. A fast decline followed and in October it reached 129. This was only one month's reaction. The bottom was higher the next month. In December, 1927, top was made at 159. This was the place to go short again. The stock reacted to 138; rallied to 154 in April, 1928, and failed to cross the top of December, 1927, and should have been sold short again. A decline followed to 133 in June, 1928. This bottom was 3 points higher than the low of October, 1927, and a sign of strength. A quick rally followed; the trend turned up in August and crossed the tops of 154 and 155 and continued to 172 in November, 1928; declined to 150 in December, 1928. This was a quick, sharp decline and a fast advance followed. In January, 1929, it made top at 192; reacted in February to 169; then advanced to 193 in March, getting only one point above the January and February highs, a sign of heavy selling and a signal to sell short with a stop 3 points away. A decline followed and in May, 1929, bottom was made at 162½. In the last week of the decline the market was dull and narrow and the volume of sales for the week was only 220,000 shares. In the week ending June 8, 1929, the low was 165 and the high 171. In the following week the low was the same, 165, a sign of good

support at this level, this being the second week of higher bottoms. The high for the week was 177, showing up trend again, and the volume of sales increased, showing heavy buying. In the week ending July 13, Steel crossed 193, making a new high. This was the place to buy more because the volume of sales was increasing and the market was very active. Every week following, Steel made higher bottoms and higher tops. In the weeks ending August 10 and 17, the sales exceeded a million shares. August 24, first top was at 260½. The sales that week were 800,000 shares. There was a quick reaction to 251½ and the volume of sales was only 391,000 for the week. A quick rally followed, making final top on September 3, 1929, at 261¾. This time the stock failed to get 3 points above the top made on August 24, a sign for lower prices. A fast decline followed to 246 the same week; the sales were 561,000 about 170,000 shares more than the sales during the week that the stock reacted from 260½ to 251½. This was a sign of good selling. When the price broke 251, more should have been sold because this was the first time that a weekly bottom had been broken since Steel started up from 162½. On September 3, 1929, the day Steel reached top, the sales were 129,000. This showed very poor buying at such a high level and indicated short covering and public buying while the insiders were selling. On October 3, 1929, Steel declined to 206½. A quick rally followed and on October 11, 1929, it advanced to 234. This was only one week's rally and the following week it declined under heavy selling to 208. There was only a small rally on short covering from this level. On October 29, 1929, Steel declined to 162½ on sales of 307,000 shares for the day. A sharp rally followed to October 31, when Steel advanced to 193½ on sales of 100,000 shares, the range for the day being 5½ points. A decline followed and on November 13, U. S. Steel declined to 150. The sales that day were 97,000, small volume, showing that liquidation had run its course. A quick rally followed to October 21, when Steel reached 171½. It declined on December 2, to 159¼; advanced and crossed 172, the high of October 21; and on December 9 reached top at 189 on sales of 355,000, the largest of

any day since October 24, showing that there was good selling and that a reaction should follow, especially after it had rallied 39 points from the bottom. The fact that the stock failed to cross the top of October 31 at 193½ indicated lower prices to follow. A fast decline took place and on December 23 Steel sold at 156¾ on sales of 111,000 for the day. The small volume of sales again indicated that liquidation had run its course and that the market was making bottom. This being a higher bottom than November 13 indicated good support. An advance started, the daily trend turned up, and early in January, 1930, the weekly trend turned up. February 14, high 189, sales 154,000, same top as December 9. A reaction followed to February 17, when the stock sold at 184½; then rallied on February 18 to 189½, sales 120,000 shares. Failing to get one point above the old top was a sign of weakness and a decline followed. On February 25, it sold at 177; rallied to 184 on March 1; then declined to 178¾ on March 5 and 6; rallied on March 7, making top at 184 again; March 14 declined to 177¾, still holding above the low level of 177 made on February 25. A rally followed on March 19, when Steel sold at 188¼ with a total sales of 179,000. On March 20 the high was 188½, with sales of 67,000. March 21 high 191, sales 186,000. This was the largest number of sales for some time and having crossed 189, the high of December 9, 1929, and 189½, the high of February 18, 1930, Steel indicated that it would go higher after a reaction. On March 24, U. S. Steel sold at 192¼ on sales of 126,900, and on March 25, advanced to a high of 193¼ on sales of 83,600. Then reacted to 189½ on March 27. Failing to break back under the old top levels at 189 made on December 9, 1929, and 189½ on February 18, 1930, indicated that it was getting support and was going higher. On April 7 advanced to 198¾, sales 106,000 shares; April 8 declined to 193¼ on sales of 114,000 shares; April 10 advanced to 197⅞ on sales of 103,000 shares. Failing to cross the high level of April 7 and being so near the even figure of 200, where there is always good selling, indicated a reaction to follow. When the stock can advance to 200, it will then indicate higher prices. The low level of April 3 was 192⅝

and of April 8, 193¼; should the stock break under these levels before crossing 200, it will indicate lower prices.

Vanadium Steel.—This stock was a creeper during the early part of the 1921 to 1929 Bull Campaign. When a stock creeps or moves very slowly for a long time, but at the same time makes higher bottoms and higher tops, it will eventually have a wild, runaway market or rapid advance. Creeping stocks invariably wind up with a final grand rush on short covering and public buying. These fast moves are really an advertising campaign which get the public in near the top. Remember that stocks are put up to sell, and don't forget that when they are sold, they go down, so use stop loss orders and reverse position when the trend reverses. Vanadium was one of the new stocks that came into prominence late in 1919 and made a high of 97 in April, 1920. Then declined to 20 in June, 1924. Then the up move started, making higher bottoms and higher tops; crossed 60 in January, 1928, and made a high of 116 in February, 1929. In November, 1929, declined to a low of 37½. If you were watching the steel stocks and looking over the steel group to pick the best stocks to buy, Vanadium was the stock you would have selected, if you had followed the rules laid down in TRUTH OF THE STOCK TAPE. Study yearly chart 1919–1930 and monthly 1924–1927 on page 153.

At the low price of 37½ in November, 1929, it was back to the same level where bottoms were made in November, 1926, and January, 1927, when the last low level was reached at 37, from which the stock started a big advance. It became more active and worked upward until February, 1929, when it reached high at 116. Another reason for buying it was that the 1929 bottom was 8½ points higher than the bottom reached in the panicky decline of March 26, 1926, and another reason for expecting it to be bottom and buying it was that the top reached in February, 1929, was made much earlier than U. S. Steel and some other stocks which did not make top until August and September, 1929. Therefore, Vanadium had been going down 8 months before the other stocks and naturally would be in position to rally sooner and lead in the next advance. Another good and

sufficient reason for selecting it as being one of the stocks to buy for an advance was that there is only about 300,000 shares of the stock outstanding. This small floating supply makes it easier for their stock to advance, especially when you compare it with U. S. Steel, which has over 8 million shares outstanding. Another reason is that the company has practically a monopoly on Vanadium.

The low on Vanadium Steel in May, 1929, was 68. It had declined from 116 to this level. Then from 68 it rallied to 100 in September, 1929, from which it declined to the low of 37½ in November. A natural rally point would be to around 68, the low point of May, 1929, but we have to look up the last point from which the stock declined. Vanadium sold at 48½ on October 29, the day of the big panicky decline. Then on October 31, it rallied to 62. From this level it declined to 37½ on November 13; then rallied to December 9, reaching 61½, failing to cross the high level of October 31. When it could cross this level, it would indicate considerably higher prices. From the top of December 9, another decline followed, and on December 20, Vanadium declined to 44½, making a higher bottom and indicating that it was one of the good stocks to buy, because on the secondary decline it did not get as low as the last bottom. After the low in December, Vanadium started making higher bottoms and higher tops on the daily high and low chart. On January 25, 1930, advanced to 51½ and closed at the top on sales of 16,000; January 27, crossed 62, the high of October 31 and December 9, 1929, advanced to 64¼ on January 27 and closed at the top on sales of 25,000, indicating big buying at advancing prices; January 30 reached high at 69½. February 4, declined to 62½, down 7 points from the top, which was the first reaction of this much since the stock started up from the low of 44½. The advance was resumed and on February 14 reached a high of 73½ on sales of 34,000 shares, the largest volume of the month, an indication of top for a reaction. February 25 declined to 65½. At the bottom the sales were only 7,700 which indicated that there was not much heavy selling and showed support and place to buy. It was down 8 points from the top and just one point more than the reaction which

occurred from January 30 to February 4, 1930. The stock started up again, making higher bottoms and higher tops each day, and on March 6th crossed 74 on sales of 26,000 shares. Getting over the top of February 14 was a sign for much higher prices. Now, the next point to watch was the last high at 86½ which was made on the rally of October 11, 1929, from which the big decline followed. On March 10, Vanadium advanced to 88½ on sales of 28,000, closing at 86½, indicating higher prices, having gone through the high of October 11, 1929. After making 88½, it reacted to 82 early on March 12, 1930, then started up the same day and advanced to 92½ on sales of 28,000. The next point to watch was the high made in March and April, 1929, when the stock rallied to 100; then had a sharp reaction and advanced again on September 13, 1929, to 100, on a large volume of sales, 59,000, and a rapid decline followed. On March 21, 1930, the stock crossed 100, on sales of 46,800. Crossing 100, the next important top was the extreme high of 116, which was made on February 9, 1929. On March 25, 1930, Vanadium crossed 116, the high of 1929, and advanced to 124½, the sales being 54,500 at the highest price it had ever sold. The stock opened that day at 118, advanced to 124½, declined to 114 and closed at the low, being down 10½ points from the high at the top. This was a sign of weakness and indicated lower prices, and also the volume being so large indicated that heavy selling had been encountered. Nevertheless, the fact must not be overlooked that the main trend on the weekly, monthly and daily charts was still up, but the fact that the previous reaction had not exceeded 7½ points and this reaction being 10½ points in one day showed that the stock was being heavily sold.

It is important to watch the voume at the extreme high and low levels in order to have a comparison in determining when the volume indicates that the stock is making top or bottom. The largest volume of sales for 1929 was on February 7, when sales reached 68,800 shares. On February 8, when the stock reached top for the year at 116, sales were 43,800. The two days, totaling over 108,000 shares, indicated that there was heavy selling and that the stock was

making top. During the week ending February 9, the total sales on Vanadium were 175,800. This was a very large percentage of sales, considering that the total capital stock outstanding is only a little over 300,000 shares, therefore, over two-thirds of the capital stock had changed hands. This certainly indicated good selling. The next important point to study on volume is the week ending September 14, 1929, when Vanadium advanced to 100. The sales this week were 138,400, which indicated good selling and top, especially as the main trend had already turned down. During the week ending October 26, sales were 56,400, and during the week ending November 2, sales were 50,600. During the week ending November 9, sales were 17,200 and during the week ending November 16, sales were 29,000. Notice that the last two weeks when the stock was making final bottom, the volume of sales was very small, which indicated that liquidation had run its course. During the week ending December 2, sales were 31,000, and during the week ending December 14, sales were 21,000. During the week ending December 21, when the stock declined to 44½, sales were only 19,000 shares, and in view of the fact that the stock made a higher bottom, this showed there was not much pressure to sell and that there was good support. During the next three weeks the stock showed good accumulation, and the volume of sales was only 12,000 to 13,000 shares per week, which indicated that somebody was just taking what stock was offered and was not yet bidding for it, but that there was not much stock pressing for sale. When the advance was resumed, it was on increased volume of sales. During the week ending March 8, 1930, the high was 78 and the sales were 84,000 shares. During the week ending March 15 the high was 96 and the sales 145,000 shares. During the week ending March 22, the high was 107 and sales 165,000 shares. During the week ending March 29, the high was 124½ and sales 206,000 shares. This was the largest volume of sales since February 9, 1929, and exceeding this week in total sales at the highest level in history indicated that there was heavy selling and profit-taking, and it was time to at least watch for a reaction in the stock.

From November 13, 1929, to March 25, 1930, Vanadium advanced 87 points. Now, it is always important to watch the greatest reaction from any point as a stock moves up or the greatest rally as a stock declines. The first reaction from the first sharp rally was the largest, that is, the top on December 9, 1929, was 61½, and the low of the reaction on December 20, was 44½, which equalled a decline of 17 points. The reactions following this were 7 and 8 points, showing that the stock was supported and not allowed to react as much after it got higher than it was at low levels. This indicated a bull market. Considering that on March 25, 1930, the stock broke back 10½ points in one day, the next important point to watch for a bottom or a rally would be 17 points down from the top of 124½, or around 107½. Breaking more than 17 points from this or any other top, the next important point to watch for a reaction would be about 22 to 25 points down from the top. It is also important to notice the length of time required to make a reaction. During the time that Vanadium reacted 7 and 8 points, it required from 7 to 10 days to complete the reaction; in other words, more than 7 to 10 days expired from the time the first top was reached until it was exceeded again. After Vanadium reached 124½ on March 25, it reacted the same day 10½ points. This was a sign of weakness, especially when you consider the heavy volume of trading. It continued to work lower until April 5, when it sold at 103½, down 20 points from the top; then rallied to 117½ on April 11. The next important point to watch is 124½. If it crosses this level, it will indicate much higher, probably 150, but should it break 103½, the last support level, it would then indicate a further reaction. But do not forget that Vanadium has made the highest prices of history in 1930 and that the main trend is up; therefore, you will have to watch for distribution before determining that it has made final top.

STORES AND MERCHANDISING STOCKS

Jewel Tea.—This stock was a very late mover in the 1921 to 1929 Bull Campaign, but after it passed out of the

accumulating stage it had a big advance, with only small reactions, and was one of the best stocks to buy and pyramid from 1925 to 1929. In November, 1925, the last low was made at 15 and the advance started continuing to November, 1928, when the stock reached 179, advancing 164 points without ever reaching 2 months or declining 5 points under any previous month's bottom. During this time the main trend never turned down and there was no reason for selling out. Just figure out how much you could have made pyramiding, buying every 10 points up, and if you kept stop loss order 5 points under the bottom of the previous month, it would never have been caught until the stock advanced 164 points from where the main trend turned up.

Jewel Tea had 6 years of accumulation at low levels before the big move started. See yearly chart 1916–1930 and monthly high and low charts 1920–1930 on page 86. The stock made a high of 96 in 1916 and did not participate in the 1919 Bull Campaign, the trend continuing down until December, 1920, when it reached a low of $3.00 per share. It is important to note each year's high and low prices. 1920 high 22, low 3; 1921 high 12, low 4; 1922 high 22, low 10; 1923 high 24, low 16; 1924 high 23, low 17; 1925 high 26, low 17. Each year the bottom was higher, showing good support and indicating that eventually the stock was going much higher. Note that the 1920 high and the 1922 high were the same, the high price being 22. My rule is that a stock must advance 3 points above the high of the second year of the bull campaign in order to indicate higher prices, therefore Jewel Tea would have to sell at 25 to indicate that it had crossed the Resistance Level and that higher prices would follow. From 1922 to the end of 1925, the stock was in a range from 16 to 23 most of the time and you could not have made much money trading in it, even if you bought at the bottom and sold at the top. If you had bought near the bottom with the intention of holding it for the long pull, after waiting six years your patience would have been exhausted, because you would miss so many greater opportunities in other stocks, which were early leaders, that you probably would have sold it out in disgust. During the time that this stock was making a range of 10

points between high and low, many other stocks had advanced from 50 to 300 points. What rule should you use in order to catch this big move at the right time and not have to wait years and wear out your patience? You should use my rule of buying after a stock crosses 3 points over the high of the first year of the bull campaign, or the following year after a stock has made extreme low. The high in 1920 and in 1922 was 22, therefore you would have to wait until the stock could advance 3 points higher, or to 25, before it would indicate that the big upswing should start. During 1922, 1923, and 1924, it advanced to 22 to 24 several times but did not make 25. In July, August, and September, 1925, the low was 14¾; in October rallied to 21; in November reacted to 15, the last low level before the big advance started; in December, 1925, great activity started with increasing volume of sales, which is always a sign that a big move is on. The stock advanced to 25, crossing all Resistance Levels since 1920. This was the place to buy and the stock never reacted to 22 again. The main trend continued up until November, 1928, when it made top at 179, advancing 164 points in 3 years, which was only natural after 6 years of accumulation at low levels. The more time consumed in accumulation, the bigger the advance. The same rule applies to stocks that remain many years at the top, while distribution is taking place, but remember that many stocks make sharp tops and distribution or liquidation takes place on the way down. After Jewel Tea reached top in November, 1928, it made a sharp top; had a quick decline; turned the main trend down and a stock dividend was declared. The trend continued down and the new stock sold at 39 in November, 1929. Note that the last low level in November, 1926, was 39, therefore, the stock received support at the same level and was good to buy with a stop at 36. It rallied to 59 in March, 1930.

Montgomery Ward.—This was a late leader. It made about the same low around 12 for three years, 1920, 1921 and 1922, and the highs during these years were 25 to 27. Montgomery Ward acted very much like Jewel Tea but started up sooner. During the month of May, 1924, the range was only one point for the entire month, the low

being 22 and the high 23. This indicated that the stock had come to a dead standstill and that buying and selling were about equal and very little business doing one way or the other. When a stock gets this narrow, great activity nearly always follows. In June, 1924, the advance started with increased volume of sales and the price reached 29, which was over the top of the past 3 years. This was a buying level and a big advance followed. In December, 1925, it made a high of 84; May, 1926, declined to 56; had several months of accumulation, and in August, 1927, the trend turned up again. The sure buying level was at 73 and again when it crossed 84, the high of 1925, which it did in November, 1927, and advanced to 112 in the same month. During November, 1928, the final high was reached at 439⅞. From February, 1927, when the last low was made at 60, there was never a time when the stock sold one point lower than a previous month's low level. This showed plainly that the main trend was up all the time and you should have pyramided all the way up. The stock advanced 380 points before the trend turned down again. From the top in November, 1928, a sharp decline followed, turning the main trend down. A stock dividend was declared and the new stock met selling around 156, where it made top in January and February, 1929. The main trend continued down until January 15, when it reached a low of 38⅝; then rallied to 48 on January 31; declined to 38¼ on March 24, just ⅜ lower than the low of January 15, 1930.

It is important to study the movements at tops and bottoms and the volume of sales on Montgomery Ward from October 24, 1929, to March 31, 1930. October 24, 1929, was the date of the first Wall Street panic in October. Montgomery Ward declined to 50 on sales of 338,000 shares, which was the largest volume for one day at any time since the stock started down from 138. On October 25, a quick rally followed and it advanced to 77 on sales of 166,000 shares, just about one-half the sales recorded on the decline of the previous day, which showed that the buying on this rally was not as good as the selling on the day of heavy liquidation. Another decline followed and on October 29, the day of the great Wall Street panic, it sold at

49 on sales of 285,000 shares, getting one point under the low of October 24, which showed support and indicated an advance. A quick rally followed to October 31 and the stock advanced to 79 on sales of 138,000 shares. The stock failing to advance 3 points above the high of October 25 and the volume of sales being so small at the top indicated that there was not good buying and longs should have been sold out and the stock sold short. On November 13, 1929, when the majority of stocks made average lows, Montgomery Ward again declined to 49, the same low level as October 29, on sales of 112,000 shares. This was the third time at this low level and the volume of sales was very small, indicating that liquidation was much less or had about run its course for the present. On December 9, it advanced to 67 on sales of 141,000 shares for the day. Failing by 10 points to reach the high of the previous rally and the volume of sales being so small on the advance indicated that there was not much good buying and still showed main trend down. On December 20, it declined to a new low of 43 on sales of 323,000 shares, the largest of any day since October 24. Making a new low indicated that it was in a weak position and that liquidation had broken out again. On December 31 it rallied to 50 on sales of 48,000 for the day. This was a feeble rally and the volume of sales was small, showing that the buying was not very good. This top at 50 was the same level where bottoms were made on October 24, October 29, and November 13, thus the former support level had become a selling level. On January 15, 1930, Montgomery Ward declined to a new low level of 38⅝ on sales of 307,000 shares. This was heavy liquidation and indicated that stop loss orders had been caught. It is important here to note that in March, 1925, it started up from a low of 41, therefore, when it declined to 38⅝ it failed by ⅝ to get 3 points under the low from which it started and indicated a support level, at least for a rally. On January 31, it advanced to 48 on sales of 133,000 shares, failing to reach the high of December 31, 1929. This was an indication that the stock was still not being bought in sufficient volume to put it higher. The next point to watch would be the last high at 50. If it could cross this

level of 50 and make 53, it would indicate higher; but it did not, and on February 14 declined to 43 on sales of 55,000. This was a sign that liquidation had pretty well run its course for the present, and making a higher bottom indicated a rally. On March 3, it advanced to 48 on sales of 190,000 shares. This was the same top as it made on January 31 and failing to cross it indicated weakness. Having made one top at 50 and two tops at 48, then you would figure that if it should make 51, crossing 3 points above the last two tops, it would indicate higher. After March 3 the stock began working lower and on March 24 declined to 38¼ on sales of 110,000 shares. Now, compare this with January 15, when the low was 38⅝ and the sales were 307,000 shares. The fact that when it made ⅜ lower, the sales were only 110,000 shares, showed that the liquidation was not as heavy and that the stock was nearing the point for a rally. On March 28, it declined to 35¼ on sales of 111,000. This volume of sales again indicated that liquidation had about run its course. It is important to look back and see the price from which every big move starts. In August and September, 1924, it made last low at 34 and in October, 1924, the low was 35. Therefore, around 35 was a buying level with stop at 32. The stock rallied to 44½ on April 10, and when it can advance to 51, getting 3 points above the previous high levels, it will indicate a further advance. The fact that Montgomery Ward was a late mover in the 1929 Bull Campaign and a stock dividend having been declared, is the reason why it is making bottom later than other stocks and not showing much rallying power.

Sears Roebuck.—This was one of the early leaders in the store group in the 1921 to 1929 Bull Campaign. From a low of 55 in 1921, the stock began working up and continued to make higher bottoms and higher tops until the early part of 1926 when it advanced to 241. A stock dividend was declared after the stock reached the high level. Thus you will see that Sears Roebuck was an early leader and had gone up 186 points before Jewel Tea started its big advance. Yet, Jewel Tea advanced 176 points from 1921 low to the high in 1928. Sears Roebuck had a second bull campaign after the new stock was accumulated in 1926 and

1927. In January, 1926, Sears Roebuck reached a high of 59 and in March, declined to 44. In September, 1926, made a high of 58, failing to cross the high of January, 1926. In October, 1926, it declined to 50; held in a narrow range of accumulation until July, 1927. Failing to get back to the low of March, 1926, showed good support and indicated higher prices later. In July, 1927, it crossed 60, over the highs of 1926, which was the place to buy. A fast move followed and at no time did the stock break 3 points under the previous month's bottom until it made final high at 197 in November, 1928. This was a sharp top and a rapid decline followed. The main trend turned down and it sold at 140 in March, 1929; rallied to 174 in July, 1929; made the same high levels in July, August and September, showing heavy selling and big distribution. The main trend turned down again in September, and in November declined to 80. A quick rally followed to 108 in December, 1929; then a second decline to 83, making a higher bottom, showing good support. From this level a rally followed to February, 1930, when the stock reached 100; then reacted to 81 in April, 1930, but failed to break the low of November, 1929, which was a buying level. (See yearly chart, 1906–1930, on page 149.)

Woolworth.—This stock was one of the best early leaders as well as one of the best late leaders in the 1921 to 1929 Bull Campaign. It made low in 1920 while many other stocks did not make low until 1921. Making low early in the bear campaign indicated that it would be an early leader in the bull campaign. It made a higher bottom at 105 in 1921, a sure sign of strength. In 1924 it advanced to 345, when a stock dividend was declared. The new stock made a low of 73 in 1924. The trend turned up and it advanced to 220 in October, 1925; declined to 189 in January, 1926; then advanced to 222. Failing to get 3 points above the old top indicated weakness and the trend turned down again. In May, 1926, it sold at 135; then started up again. In November, 1926, high 196; another stock dividend was declared. In February, 1927, the new stock made a low of 118. There was good support and the stock began making higher tops and higher bottoms and the trend con-

tinued up until July, 1929, when top was reached at 334. Previous to this, in April, 1929, another stock dividend was declared. The new stock made bottom at 85 in April and May, 1929; then worked higher until September, 1929, when final top was reached at 103¾. Heavy selling occurred around this level and big distribution took place. The main trend turned down in early October, and it declined to 52½ in November, 1929. From this you will see that a stock which was considered the best in the store group lost just about one-half its value in less than two months. Therefore, never hold on to good stocks when the main trend is down or when there is a panic on. The best stocks go down in a panic and a man who holds on and hopes when the trend turns down will go broke. After Woolworth sold for 52¼ it rallied to 80 in December, 1929; then started down again selling as low as 60 in February, 1930. When it broke 95 in October, 1929, it was a short sale and again breaking 84, under 3 months' bottoms, it should have been sold short again. Remember my rule that stocks are never too good to sell short and never too high to buy if the trend is up and never too low to sell short as long as the trend is down. The money is made by going with the trend and not by following sentiment.

SUGAR STOCKS

This is one of the groups of stocks that failed to advance much during the 1921 to 1929 Bull Campaign. The price of raw sugar reached 26 cents a pound in 1919 and in the Spring of 1920. After that the price continued to work lower every year, subject to rallies. The fact that raw sugar prices were declining made earnings poor for most of the sugar companies. Besides, they had bought plantations during the war boom, when sugar was at high prices, and had paid high prices for the land, which kept them from making big profits as sugar prices declined. The price of raw sugar worked lower from the 1920 high to 1930, when the price reached 1¾ cents per pound. Sugar stocks were late movers in the 1919 and 1920 Bull Campaign, some of them making final high in the Spring of 1920. Then a fast decline followed.

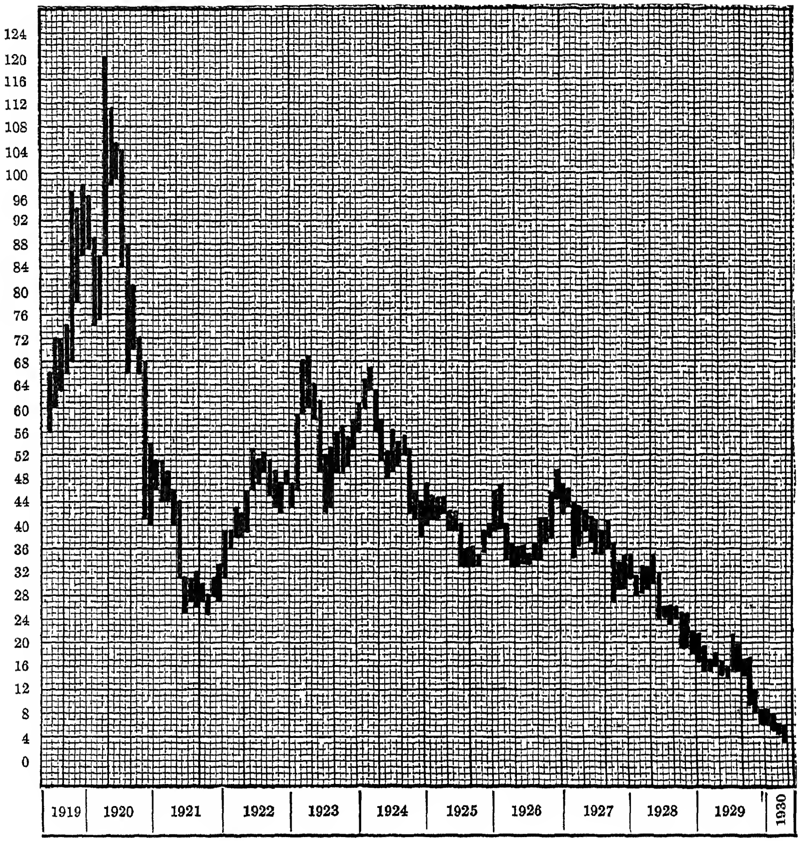
American Beet Sugar.—June, 1921, low 26; August, 1922, and February, 1923, high 49. Heavy selling occurred around this level and the stock declined in August, 1923, to 25. This was below the 1921 low level and indicated that there was very little support and that the main trend was down. However, 25 was a support level for a rally. In February, 1924, the stock advanced to 49, the same high as 1922 and 1923. Failing to cross this level was a sign of weakness and it should have been sold short. It went lower every year until December, 1929, when it declined to a low of 6.

American Sugar Refining.—1921 low 48; September, 1922, high 85; October, 1924, declined to 36; September, 1927, advanced to 95; February, 1928, declined to 55; January, 1929, advanced to 95, the same high as 1927. Failing to cross this level was a sign of weakness and it should have been sold short. November, 1929, made low at 56, a support level, one point above the 1928 low; March, 1930, rallied to 69.

Cuba Cane Sugar.—Worked lower each year while other stocks were going up and finally in 1929 went into the receiver's hands.

Punta Alegre Sugar.—This was one of the weak stocks in the sugar group from 1921 to 1930 and worked opposite to the trend of South Porto Rico Sugar. See the monthly high and low chart on Punta Alegre on page 186 and compare its trend with South Porto Rico Sugar. In April, 1920, Punta made high at 120 and then started down. In June and October, 1921, sold as low as 25; in January, 1922, rallied to 53; then declined to 42 in November; in April, 1923, advanced to 69; declined to 42 in July. Note this was the same low as made in November, 1922, and a support level for a rally. In March, 1924, it advanced to 67. Failing to cross the high of April, 1923, indicated lower prices. In December, 1924, it declined to 38; in January, 1925, rallied to 47; and in July and October, 1925, declined to 33, making a new low level and indicating a further decline. In February, 1926, rallied to 47, making the same top as January, 1925, and failing to cross it indicated lower prices. From April to July, 1926, made a low of 33, the

CHART No. 16
Punta Alegre Sugar
Monthly High and Low. 1919–1930

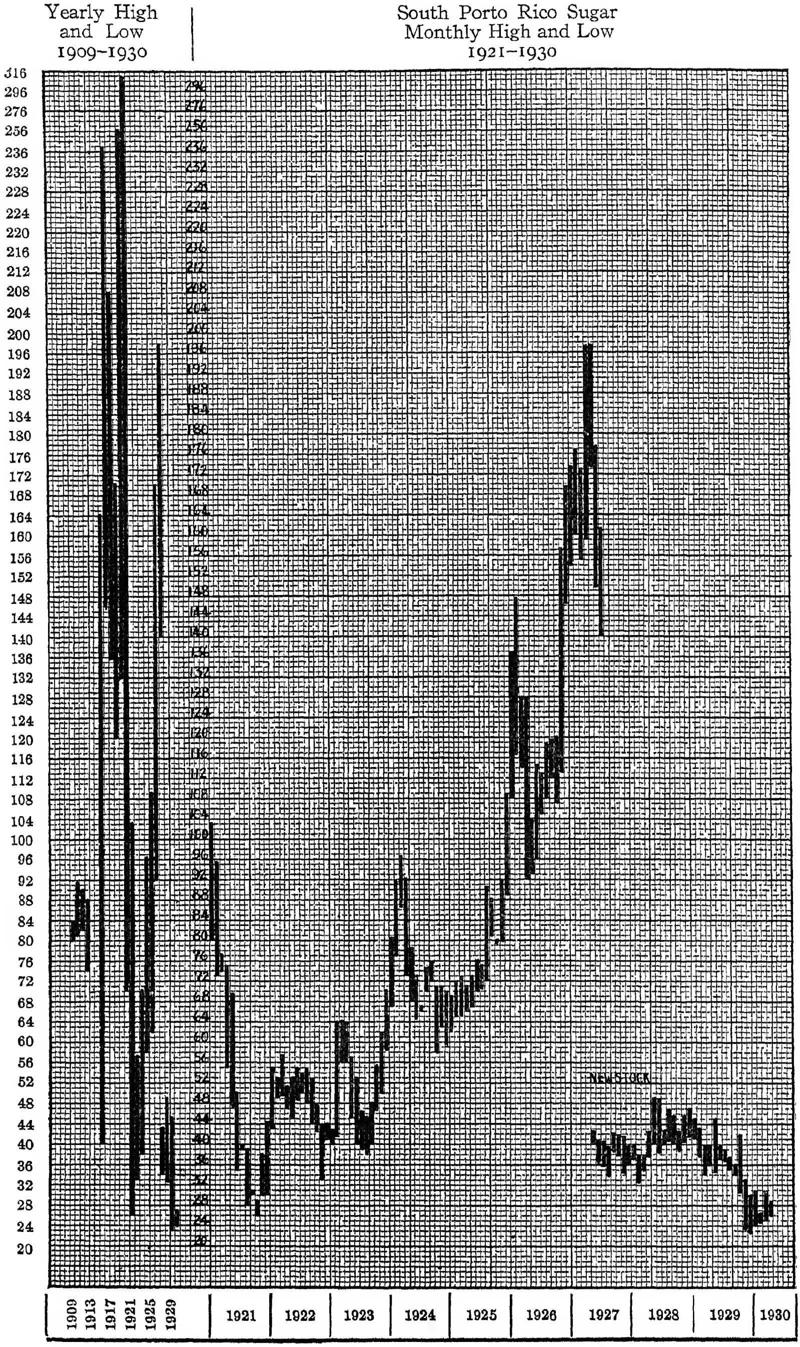


same low as it made in 1925. Holding this low level indicated support and a rally followed, reaching 49 in December, 1926. Failing to get 3 points above the highs of 1925 and 1926 indicated that the main trend was down and the stock should have been sold short. In October, 1927, it made a low of 27; in January and May, 1928, rallied to 35, still showing down trend and a very feeble rally. In June, 1929, declined to 15; then rallied to 22 in July. The main trend again turned down and it gradually worked lower until April, 1930, when it declined to 3, the lowest in its history. From this comparison you can see that you should have been playing the short side of Punta all along the same time when you were buying South Porto Rico and making money on both stocks in the same group which were running exactly opposite trends. Follow the rule—don't buy one stock in a group to follow another stock or sell one short to follow another unless the trend shows down.

South Porto Rico Sugar.—This was the one exception in the sugar group that worked up while other sugar stocks were going down. This was plainly shown by the chart and indicated a strong position each year. See yearly chart 1909–1930 and monthly chart 1921–1930 on page 188.

November, 1921, low 26; March, 1922, high 57; December, 1922, low 33; March, 1923, high 64, making a higher top and a higher bottom; August, 1923, low 39, another higher bottom and a sign that the stock was going higher later; March, 1924, high 95; October, 1924, low 58. Around this level there was big accumulation during 1925, and in December, 1925, it crossed 95, the high of 1924. A big advance followed. February, 1926, high 147; March, 1926, declined to 92, making bottom around the same levels where tops were reached in 1924 and 1925. This was a good support level. Then the trend turned up again and in May, 1927, made final top at 197. Distribution took place and a stock dividend was declared. The new stock sold at 33 in February, 1928; rallied in May and June to 49; then declined to 25 in December, 1929. This was the one sugar stock that was making progressive tops and bottoms, that is, making higher tops and higher bottoms while other sugar stocks were making lower tops and lower

Chart No. 17


Yearly High
and Low
1909–1930
South Porto Rico Sugar
Monthly High and Low
1921–1930
NEW STOCK
1909
1913
1917
1921
1925
1929
1921
1922
1923
1924
1925
1926
1927
1928
1929
1930

bottoms. This proves my rule that one should buy the strongest stocks in the group and sell short the ones that are in the weakest position and show down trend. The man who bought other sugar stocks during the 1921 to 1929 Bull Campaign and expected them to follow South Porto Rico Sugar just because they were in the same group, lost big money and besides lost opportunities for making money in stocks in strong position.

TOBACCO STOCKS

In each group there is always a stock in strong position and one in the weakest position; therefore, it is well to have a chart on several stocks in each group. Look up some selling at high levels and some selling at low levels. As a rule, those selling at the highest levels are in the strongest position, while the ones selling at the lowest levels, in many cases, are in the weakest position and will go lower.

American Sumatra.—Made high in 1918 at 135. The trend turned down and it went lower every year until May, 1925, when it sold at 6. It went into the receiver's hands and a reorganization took place. The new stock started up from around 15 in April, 1926; advanced to 69 in June, 1927; declined to 46 in February, 1928; and made a final high at 73 in August, 1928. Then the trend turned down and in November, 1929, it declined to 18, getting back within 3 points of the low of April, 1926. This was a support level and a rally followed to 26 in February, 1930; then declined to 16 in March, 1930.

Reynolds Tobacco "B".—This was one of the strongest stocks in the tobacco group in 1921 and, in fact, during the whole campaign from 1921 to 1929. The charts plainly showed in 1920 and 1921 that this stock was being accumulated and was one of the best to buy in the group. December, 1920, low 29½; January, 1921, low 31. It never sold lower and held in a narrow range during 1921, showing big accumulation and making slightly higher bottoms and higher tops. In the early part of 1922, the upswing started, subject to only minor reactions, until first top was reached in December, 1927, when the high was 162. In

April, 1928, it declined to 128 where accumulation again took place. November, 1928, final high 165, just 3 points above the high of 1927. Then a stock dividend was declared. The main trend continued down until November, 1929, when it reached a low of 39. This last low was the same low made in January, 1922, from which the big up move started, and was a support level where you should have bought with a stop at 36. The stock rallied to 58 in March, 1930. From this, you can see how you could have made money buying this stock at very high levels after it had been going up for several years, because it still showed a strong position.

CHAPTER VIII

STOCKS OF THE FUTURE

In 1923, when I wrote TRUTH OF THE STOCK TAPE, on page 89 I said that the great fortunes in the future would be made in the airplane, chemical, and radio stocks. This prediction has been fulfilled, and these stocks have shown the greatest advances of any group.

Electric Stocks.—This is the electrical age and electric stocks in the future will be among the good leaders. Electricity is being used in every business department, in manufacturing and in the home. New inventions are increasing yearly for electrical appliances. Electricity as a power is taking the place of steam with the railroad companies, and as improvements are made and electricity becomes cheaper, it will be used more and more. Therefore, companies manufacturing anything that uses electricity will prosper and their stocks should be watched.

Airplane Stocks.—The airplane industry is in its infancy and will develop rapidly in the next few years. Fortunes can be made by selecting the right airplane stocks to buy at the right time.

Chemicals.—Progress continues to be made in chemical stocks and new discoveries along this line will bring many chemical stocks into leadership and offer good opportunities for trading.

Radio and Wireless.—The Radio stocks and those connected with wireless and television will prosper in the years to come and the good companies will increase earnings and their stocks will work higher.

Amusements.—The talking picture industry is making rapid progress and the good companies will, no doubt, show big earnings in the future.

Natural Gas.—Watch the oil companies that have natural gas and the companies which manufacture products

from natural gas. There is a great future and big earnings for these companies.

But always remember that there are weak stocks in every group and strong ones. Therefore, in buying or selling, select the stock that shows the trend up or down and go with it.

AIRPLANE STOCKS

This group of stocks has already made fortunes for people who bought them at the right time and sold out at the right time, and many more great fortunes will be made by buying stocks in the airplane industry at the right time.

Curtiss-Wright.—The two leading companies in the business were Wright and Curtiss. Curtiss made extreme low in August, 1921, when it sold at 1⅛. Then advanced to extreme high in May, 1928, when it sold at 192¾. Later it was consolidated with Wright Aeroplane Company. The Wright Brothers built the first airplane in the United States and made the first successful flight. Wright Aeroplane stock reached extreme low at 6 in January, 1922, and sold at 299 in February, 1929, an advance of 293 points in 7 years' time. The greater part of this advance was made in 1927 and 1928. (See yearly and monthly charts for Wright Aeroplane on page 193.) The writer advised buying Wright Aeroplane stock all the way from $8 on up. After the consolidation of Curtiss and Wright, the new Curtiss-Wright stock made high in July and September, 1929, at 30; in November, 1929, sold at 6½, within ½ point of the low made by the old Wright stock in 1922. Curtiss-Wright rallied to 15 in April, 1930. I consider this one of the best among the airplane companies, because it is composed of the two oldest companies in the business, which have made a success and will make success in the future. This is a good stock to buy on reactions.

United Aircraft & Transport.—This company is controlled by the National City Bank and is already making money, earnings having been quite substantial in 1929. In March, 1929, the stock sold at 67; then advanced to 162 in May, 1929. It worked up too fast in its early stages and declined to a low of 31 in November, 1929. In April, 1930,

CHART NO. 18

Wright Aeroplane
Monthly High and Low
1921–1929

Yearly
High and
Low
1921–1929

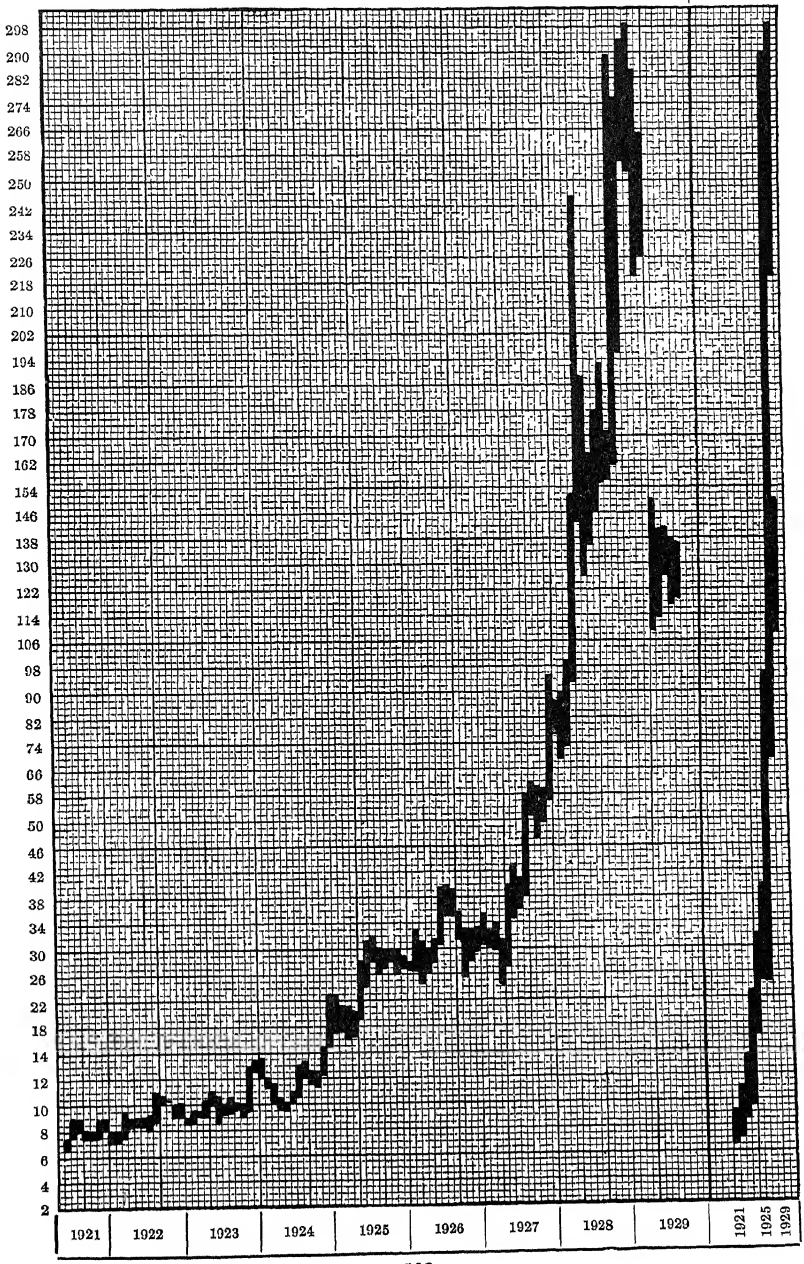
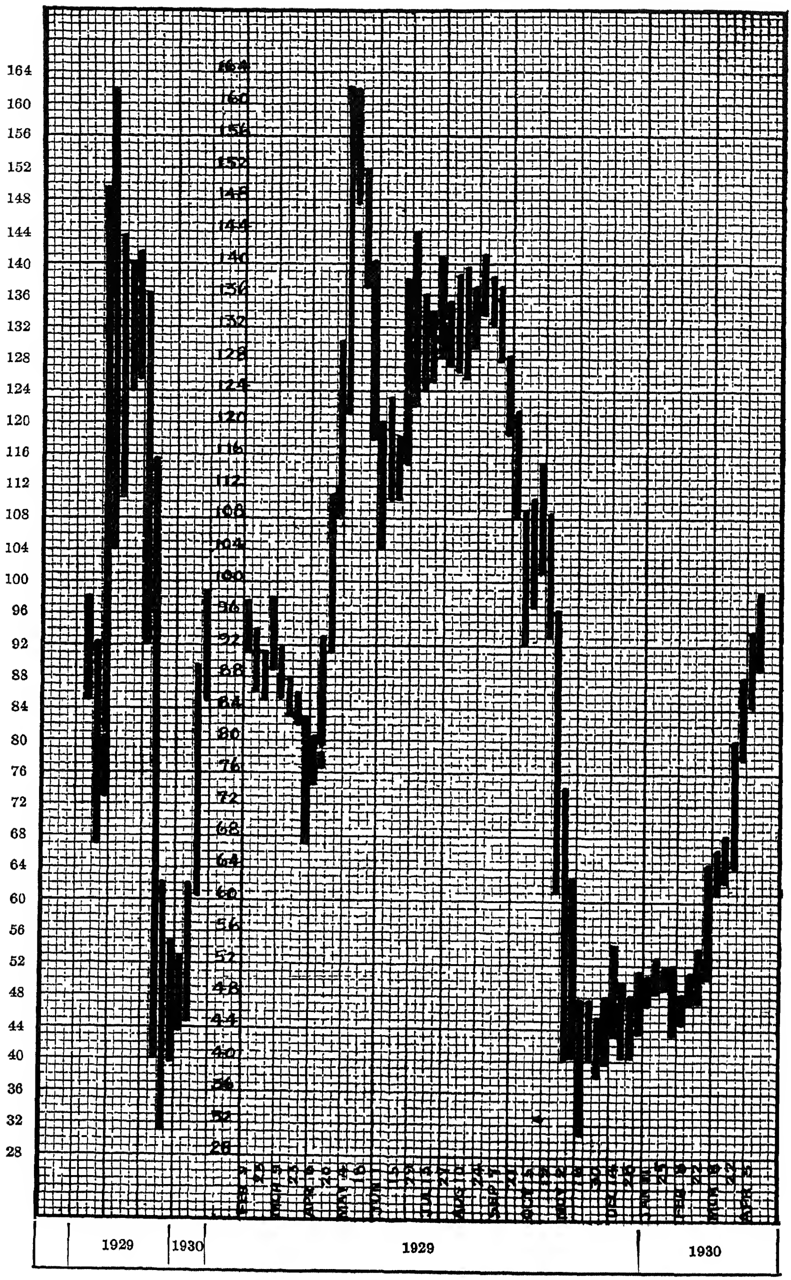


Chart No. 19

United Aircraft & Transport Corp.

Monthly High and Low 1929–1930 | Weekly High and Low 1929–1930



advanced to 99. It will, no doubt, go much higher in later years. It is one of the good companies which I consider worth watching in the future and buying at the right time on reactions. (See monthly and weekly charts, 1929–1930, on page 194.)

Fokker Aircraft.—This Company is controlled by General Motors. It is well managed and will no doubt show good earnings in the years to come. In December, 1928, it sold as low as 17 and in May, 1929, sold at 67. In October, 1929, declined to 8 and in April, 1930, rallied to 34. General Motors will, no doubt, be as successful in manufacturing airplanes as they have been in manufacturing and selling automobiles. This company will be one of the keen competitors of the other companies in the airplane industry, and the stock is good to buy on the reaction.

Bendix Aviation.—This is another good airplane stock. It sold at 102 in August, 1929; then declined to 25 in November and rallied to 57 in April, 1930. It has future possibilities and should be watched and bought at the right time.

National Air & Transport.—This is another good company and the stock should be watched for buying opportunities in the future. This stock will no doubt be merged with some of the other good companies.

Progress is rapid in the airplane industry because there is plenty of money behind it. New inventions and new discoveries are being made right along. The largest companies in the industry will acquire these new patents and make a success with them. There will be more consolidations and mergers in the airplane industry in the years to come. At present the best three are Curtiss-Wright, United Aircraft and Fokker. Keep up charts on the different airplane companies listed on the New York Curb and on the New York Stock Exchange; study them and you will be able to make money in this group of stocks.

STOCKS TO WATCH FOR FUTURE OPPORTUNITIES

There are always low-priced stocks which are being accumulated and getting in position for a big advance. You

should keep charts on this class of stocks, because they possess opportunities for big profits when the moves get under way. Watch stocks that look as Bethlehem Steel, Crucible, General Motors, International Nickel, Jewel Tea, Montgomery Ward, Packard, U. S. Cast Iron Pipe and Wright Aeroplane did in 1915, 1917, 1920–1921, and 1923–1924. Buy them as soon as they break out of the trading area and show activity on increased volume.

The list of stocks given below is worth watching for future developments and you should keep up a yearly and monthly high and low chart on them, and as soon as they cross Resistance Levels and show up trend, buy them. Some of these stocks will make good and become active leaders.

American Agricultural Chemical, American Beet Sugar, American LaFrance, American Ship and Commerce, American Woolen, Austin Nichols, Aviation Corporation of Del., Booth Fisheries, Continental Motors, Consolidated Textile, Chicago, Milwaukee and St. Paul, Chicago Great Western, Dome Mines, Electric Boat, Fisk Rubber, Great Western Sugar, General Foods, Grigsby Grunow, Kelvinator, Kelly Springfield, Kresge Department Stores, Lee Rubber, Mullins Manufacturing, Mid-Continent Petroleum, Moon Motors, New York Air Brake, National Railways of Mexico, Panhandle Producers, Pure Oil, Reynolds Springs, Standard Brands, Standard Oil of New York, Superior Oil, Transcontinental Oil, Texas Pacific Coal and Oil, U. S. Rubber, Ward Baking, Wilson & Co.

FUTURE OF U. S. RUBBER

The United States Rubber Company is one of the largest manufacturing companies in this line. In the early part of 1929 the du Ponts acquired a large interest in this company. The stock declined to 15 in the 1929 panic, the lowest since 1907. I believe that this stock has great future possibilities, from the way it acts on the chart. I am sure that the du Pont interests believe that it has possibilities, the same as General Motors had in 1921, or they would not have put their money into it. You should keep up a chart on U. S. Rubber and watch it. As soon as it shows that the main

trend has turned up, buy it and then follow it up and pyramid as long as it shows up trend.

Men like J. P. Morgan and the du Ponts do not buy a stock to sell in a short time. They buy it to hold for the long pull and because the company possesses possibilities of paying larger dividends. At the price at which U. S. Rubber is selling at this writing, March, 1930, it is probably one of the very best stocks on the list selling at this level. This does not mean that it may not go lower, but it does mean that the chances for profits are much greater in the future than any other stock you could buy around the same price.

Your object should always be to buy the stock that has the greatest possibilities but remember that you must limit your risk with a stop loss order. Something unexpected might happen and U. S. Rubber might go very much lower; therefore, if the trend turns down, you had better be out of it.

VANADIUM STEEL

This company has practically a monopoly on Vanadium and is engaged in the chemical industry. Its earnings have been good for many years. Recently the company acquired valuable property in Virginia, which will enhance its earnings in future years. The volume of stock outstanding and the floating supply is very small, which makes it easy for pools to put it up. Since it sold at 37½ in November, 1929, it has advanced to the highest level in its history, 142⅜, on April 23, 1930, up 105 points in a little over 5 months' time, advancing over twice as much as U. S. Steel. Recently it has been rumored that there is virtually a corner in the stock. This will be a good stock to trade in for several years to come and will probably sell at very high levels. It is good to buy on reactions when the charts show that the trend is up. You should be careful about going short of it on account of the small floating supply of stock. If you do go short, protect it with a close stop loss order.

CHAPTER IX

FUTURE FACTS AND DEVELOPMENTS

STOCKS OVERBOUGHT

It requires a long period of time to establish public confidence in any group of stocks, but once a stock or a group of stocks becomes a public favorite, it is overbought. Traders get too optimistic and overconfident, overtrade and buy too much and the insiders, of course, have an opportunity to sell out stocks which they have held for a long period of time.

The railroad stocks were in this position before the Civil War and worked lower until 1893 to 1896, when most of them went into the hands of a receiver. Then came the Reconstruction Period and the McKinley boom. Railroad stocks came into favor again and had big advances, reaching top in 1906; then followed the 1907 panic, and the rails had a severe decline. Again, in 1909, the railroad stocks advanced but did not get back to their previous high levels. The public overbought at the top and on the way down. The rails started to decline and continued to go lower until 1917 and 1921 when final bottoms were reached.

This same condition now prevails in the automobile stocks. The public learned about automobile stocks in 1915 and 1916, when they had their big advances and again in 1919, but from 1924 to 1929 the public bought automobile stocks on a scale greater than ever before in any group of stocks. Therefore, the motors are greatly overbought and most of the companies are greatly overcapitalized. They have paid stock dividends and increased their stock to such an extent that they cannot pay dividends during the years of depression to come. Therefore, the automobile stocks will be among the best short sales in the coming bear market.

The same condition prevails in the public utilities. These stocks have had such rapid advances and their earnings have increased so enormously during the past few years that speculators and investors have bought on a large scale from 1924 to 1929. Public utility companies will be subject to adverse legislation and Government investigation during the next few years. These stocks are too high in most cases and even if nothing unfavorable happens in the way of Government action, they will decline anyway, because they are in weak hands, and with the public in and the insiders out, there will be a long trend down.

PRODUCTION AND CONSUMPTION

It is very important to watch production in any manufacturing line as the tendency is always towards overproduction, especially in boom times and in the last stages of a bull market or in the last stage of a wave of prosperity. Business men always get too optimistic at the end of a wave of prosperity and expect larger consumption than later materializes and of course, when production is greater than consumption, prices decline. Just the same after a long bear market or a long wave of depression, business people become pessimistic and under-estimate the public requirements or consumption. This causes prices to rise because production has fallen below consumption. Competition always gets keener near the top when more is being produced that can be sold, and the result is a decline in prices whether it be commodities or manufactured articles. The stock market discounts these changes in advance.

INVESTMENT TRUSTS

Investment Trusts in this country came into prominence during the last stage of the 1921 to 1929 Bull Campaign. It has been estimated that between January 1 and September 1, 1929, the public put between 4 and 5 billion dollars into investment trusts. The last final grand rush in the stock market, which occurred during the months of July and

August, was caused to a great extent by buying by investment trusts. These new trusts found it so easy to get money from the public that they rushed into the market and bought stocks regardless of price and without considering that they were buying at the top of a bull market which had been running for over 8 years. This together with short covering and public buying, carried stocks to unreasonable heights and to levels where there were no dividend prospects and earnings which warranted the stocks selling at these levels. Of course, the investment trusts did not foresee the coming panic and held on and hoped, with the result that many of them found their original capital cut in half or more.

There are some good investment trusts, but there are many which are nothing more than discretionary pools, operating in the market without any scientific basis, therefore their success cannot be any greater than that of the ordinary trader, who buys and sells without any definite plan. If stocks went up all of the time, then investment trusts could make money because they buy and do not sell short, but when we have a bear market lasting for several years, investment trusts will not only fail to earn any dividend on the money, but a large portion of the capital invested will be wiped out. Therefore, the public who put money in the investment trusts will fare no better than if they had bought stocks at the tops themselves. In the Summer of 1929 the buying by investment trusts helped many pools to unload stocks that they never would have been able to sell at such high prices otherwise. During the coming years there will no doubt be many failures among investment trusts. Their stocks will decline and the public will become disgusted and sell out the stocks of the investment trusts. This will force the investment trusts to liquidate the stocks which they have bought at inflated values.

The investor or trader who buys investment trusts should certainly look before he leaps and investigate before he buys, as the ones that will be successful are few and far between, especially when there is liable to be an irregular bear market for several years to come. When the day comes that investment trusts start to liquidate stocks, and investors get scared and start to sell, then we will have the investors' panic.

MERGERS AND COMBINATIONS

The present period of mergers and combinations, which began in 1924, is the greatest in the history of the world. To get the significance of it and what the final result of this gigantic increase in stocks will be, we must go back to 1899 to 1902, when the United States Steel Corporation was formed, with its so-called 5 million shares of watered common stock. The American Smelting Trust and Amalgamated Copper were formed about the same time and other consolidations. The public was loaded up with watered stocks which could not pay dividends. A decline followed in 1903–1904; then there was another wild wave of speculation which culminated in 1906. In 1907, the real panic came and the gains of 3 to 5 years were wiped out in a few months. What was the cause of this severe decline? The public was loaded up with stocks which were inflated and could not pay dividends on the increased capitalization; the banks were loaded with loans, and a money panic followed.

When we consider the consolidations and mergers which have taken place during the past few years and the enormous increase in the capital stock, it is easy to figure how impossible it is for these companies to continue to earn their dividends during a period of even two years' poor business, and suppose we should have a period of 5 to 7 years of depression, what would happen? Stocks are of no value to anyone unless they earn money, and they are only worth what you can sell them for when you want to sell them. The fact that a stock sold at 400 in 1929 will not help the investor when it is selling at 200 in 1931, because his capital has shrunk 50 per cent and he can only get for the stock what someone will pay for it. People are hoping for the impossible. They expect a company to earn as much dividends on 10 or 20 million shares of stock as it has earned on 5 to 10 million, which is impossible over a long period of time. Therefore, the inevitable must be a long period of liquidation, followed by a final crash or panic, which will ruin hundreds of thousands of investors who hold on and hope until it is too late. The wise man will get out and wait.

It is better to be safe than sorry; better to keep your money without getting any interest or dividends than to risk it on an investment that will wipe out 50 per cent or more of your capital. The greatest damage comes from too much hope and optimism. There is no question but what the optimist is the greatest menace to prosperity. The pessimist is the balance wheel, and we need him to sound the note of warning. It has been said: "The difference between the pessimist and optimist is droll; one sees the doughtnut and the other sees the hole." Now is the time when we need a man who can see the hole that is going to be made in the investors' pocket-books, if they continue to look at the doughnut and shut their eyes to the painful fact that the hole is there. The hole is what you fall into. Watch for the hole! It is always there.

REPARATION BONDS

Liquidation in the stock market during the Fall of 1929 prepared the money market for the reception of large bond issues. At this writing call money is loaning around 2 per cent. Bankers and bond brokers are looking forward to the time when the European reparation bonds will be sold in this country. While the writer does not advise buying them, nevertheless, hundreds of thousands of people will buy them if they are offered here. This will tie up a lot of money that will later be termed "frozen loans." Should trouble start in Europe again or war break out, these bonds will decline and may be repudiated. Always remember in Wall Street and in the financial game that anything can happen, therefore be prepared for the unexpected. The American public has billions of dollars already invested in the European countries and if the time ever comes, which is probable, that investors face the loss of all this money, or at least a part of it, and they try to sell their bonds, this will help to bring about panic and depression and hurt all kinds of business. If a large amount of the reparation bonds are sold in this country and the money is taken away to foreign countries, it will naturally effect our money market later and cause higher rates for money.

INVESTORS' PANIC

About every 20 years there is an investors' panic or a severe depression, brought about by investors selling stocks at low levels. This is due to a prolonged decline and loss of confidence. Buying power having been reduced and investment selling continually coming into the market, force prices lower and lower until banks call loans on high-class investment stocks, with the final result of a wide-open break or a sharp, severe decline. This occurred in 1837 to 1839, 1857, 1873, 1893, 1896, 1914 and 1920 to 1921. The panic of 1929 was not an investors' panic. It was a gamblers' panic.

Various causes have produced these different panics, but the real basis behind all of them has been the money market. The banks, having become overloaded with loans during periods of prosperity, forced selling and produced the panic. Most bankers get too optimistic after a prolonged period of prosperity; then after a prolonged decline and business depression they become too pessimistic and are afraid to make loans. In fact, instead of making new loans they call old loans, which makes the situation worse than it would be otherwise. It is the same with most of the newspapers. They know that it is popular to talk optimistic and they go to the extreme in good times and then when conditions get bad, they generally paint the picture blacker than it really is.

Certainly, during all of these panics, some of the brokers and banks must have seen the handwriting on the wall and have known just exactly what was coming, but they never told their customers about it. Then the investor must *stop, look* and *listen.* He must think for himself and not depend upon his banker or his broker to get him out of the market at the right time, because past history proves that their advice at critical times cannot be depended upon.

The coming investors' panic will be the greatest in history, because there are at least 15 to 25 million investors in the United States who hold stocks in the leading corporations, and when once they get scared, which they will after years of decline, then the selling will be so terrific that no

buying power can withstand it. Stocks are so well distributed in the hands of the public that since the 1929 panic many people think that the market is panic-proof, but this seeming strength is really the weakest feature of the market. The public has never been good leaders and never will be, because their hopes and fears are easily excited. If stocks were all in the hands of a few strong men, then investors and the country would be safe, but when they are in the hands of millions of people who are unorganized and without leadership, then the situation is dangerous. A wise man will sell before it is too late. The public will hold on and hope; then all will become scared at the same time and sell when nobody wants to buy, thus precipitating a panic. This was what caused the 1929 panic. The speculators and gamblers all got scared and sold at the same time.

Greed and love of money will cause the next panic and the love of money will be the cause of the next war. "War is hell!" You might ask what that has to do with stocks. War has always caused panics. War is coming and a panic is coming in stocks, and this time the panic in stocks may be the cause of war. People often get a misconception of an idea or quote things wrong. We often hear people say "Money is the root of all evil." They think they are quoting the Bible, but they are not. The Bible says, "The love of money is the root of all evil." In fact, the love of money and the quest for power has been the cause of all wars, as history proves. Love of money has been the cause of all financial troubles and depressions in the past, and the coming panic will be the greatest the world has ever known, because there is more money in the United States than ever before, therefore more to fight for. Men fight harder for money than anything else, once they see it slipping away.

AFTERWORD

I have written this book at the earnest solicitation of thousands of people who bought TRUTH OF THE STOCK TAPE and have kindly said that it was the best ever written on the stock market. It gives me great pleasure to have helped others to make a greater success in the

hazardous game of Wall Street. If TRUTH OF THE STOCK TAPE was the best book, I have tried and hope I have succeeded in making the WALL STREET STOCK SELECTOR a better book. I have written what I know from experience others need. I have discovered the rules and methods through making mistakes and losses myself. I have been through the Wall Street mill for nearly 30 years and time has proven to me what a man needs to make a success in speculation. I am confident that those who follow my rules will never regret it and I shall feel well repaid for helping the other fellow who is trying to help himself.

APPENDIX

Below I am giving the monthly high and low prices on special stocks traded in on the New York Stock Exchange. These prices can be used for making up charts and studying past moves.

AMERICAN CAN

Year		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1914	High	35	34	31	30	29	29	29	Exchange Closed				28
	Low	29	29	29	23	25	25	20	European War				23
1915	High	31	29	33	44	44	48	62	65	66	68	65	63
	Low	25	25	26	31	29	35	44	53	55	59	57	58
1916	High	65	64	65	62	59	59	57	63	68	66	68	64
	Low	60	58	56	52	52	50	51	54	60	56	61	44
1917	High	51	46	52	52	53	53	51	49	45	47	39	39
	Low	44	36	41	43	39	47	47	39	38	37	29	30
1918	High	42	43	44	45	51	48	49	48	48	47	48	48
	Low	35	38	39	40	42	42	45	46	43	41	40	42
1919	High	50	47	52	56	61	61	63	58	69	68	64	56
	Low	46	43	46	49	54	51	57	46	52	61	48	50
1920	High	62	55	53	51	44	42	44	38	37	34	33	26
	Low	52	39	40	39	35	35	37	31	31	31	22	22
1921	High	33	32	31	32	32	31	28	28	28	29	33	35
	Low	25	29	26	28	28	23	25	24	26	26	28	32
1922	High	38	41	48	50	50	52	61	62	64	76	76	74
	Low	32	37	40	46	45	44	46	56	56	57	68	69
1923	High	85	104	106	100	104	102	93	101	100	97	103	108
	Low	73	80	96	90	85	85	84	85	89	89	96	102
1924	High	121	123	119	107	105	115	126	138	135	136	155	163
	Low	103	110	102	96	98	102	113	123	123	124	136	145
1925	High	170	178	185	176	194	200	213	248	250	257	263	297
	Low	158	163	158	159	172	181	192	207	218	232	239	245
1926	High	297	344	334									
	Low	275	287	247									
1925	High								New Stock				50
	Low												47
1926	High	50	58	56	48	47	55	62	63	58	55	55	55
	Low	46	48	39	41	42	46	54	55	52	46	49	48
1927	High	49	51	50	50	51	56	60	65	66	67	73	78
	Low	45	45	44	44	46	50	53	56	61	61	62	68
1928	High	78	82	88	88	95	93	94	112	112	114	117	112
	Low	70	74	76	79	83	79	81	91	104	105	105	95
1929	High	119	121	129	144	151	154	169	184	182	181	132	126
	Low	109	108	110	116	125	134	151	156	165	110	86	105

AMERICAN TELEPHONE AND TELEGRAPH

Year		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1914	High	124	123	123	123	123	124	121	Exchange Closed				119
	Low	117	119	120	118	121	120	114	European War				115
1915	High	121	121	122	124	123	124	122	124	126	126	130	129
	Low	116	117	119	119	116	119	119	121	122	123	125	127
1916	High	128	128	131	128	130	131	129	133	134	133	134	128
	Low	126	126	127	127	127	128	128	129	130	132	127	123
1917	High	128	126	128	126	124	124	121	120	119	116	114	107
	Low	123	122	124	123	116	120	118	117	114	112	103	96
1918	High	108	109	107	101	101	100	98	99	99	109	109	105
	Low	100	105	99	95	96	95	91	91	96	98	103	97
1919	High	101	107	109	106	108	108	105	104	102	101	101	101
	Low	99	99	103	100	103	104	103	97	97	98	99	95
1920	High	100	100	101	97	95	95	95	97	100	100	100	99
	Low	96	96	97	94	92	92	93	95	97	97	98	94
1921	High	100	100	108	108	108	105	105	106	108	108	119	117
	Low	96	99	100	105	104	102	103	105	106	108	108	113
1922	High	118	120	124	124	134	123	122	128	127	126	125	126
	Low	114	117	119	120	121	120	120	118	120	121	121	122
1923	High	124	123	125	123	123	125	123	125	125	124	125	129
	Low	122	122	122	121	121	119	119	122	122	123	123	124
1924	High	129	129	131	129	127	127	125	130	129	128	130	135
	Low	125	128	123	124	123	121	121	124	126	125	128	129
1925	High	136	135	136	137	139	144	141	140	142	143	142	145
	Low	131	133	132	133	136	139	137	137	139	139	140	141
1926	High	144	151	149	147	149	149	142	146	148	147	149	151
	Low	142	144	141	143	141	140	140	141	144	144	146	148
1927	High	156	160	169	172	169	169	168	171	179	185	181	183
	Low	149	153	157	161	162	161	162	166	169	178	174	178
1928	High	181	180	182	190	211	191	178	182	183	188	200	195
	Low	178	176	179	180	188	173	172	174	179	177	182	185
1929	High	222	221	224	238	233	234	273	303	310	305	248	235
	Low	193	205	208	214	205	206	228	266	280	204	198	210

AMERICAN WOOLEN

Year		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1914	High	21	19	17	15	15	15	14	Exchange Closed				
	Low	15	16	13	15	15	13	12	European War				
1915	High	18	18	17	32	32	30	26	38	57	57	54	50
	Low	16	18	16	16	26	28	20	26	34	48	46	46
1916	High	53	54	55	51	48	49	46	47	51	54	59	58
	Low	42	47	50	43	42	43	43	42	44	47	52	37
1917	High	48	50	53	54	55	59	54	53	49	47	43	45
	Low	44	37	46	47	46	51	51	46	45	41	38	38
1918	High	49	56	56	53	61	59	60	59	58	55	52	59
	Low	45	49	48	50	52	54	57	58	54	49	49	50
1919	High	52	58	67	70	98	130	137	121	124	150	145	169
	Low	45	45	52	55	66	103	117	105	112	117	113	118
1920	High	165	156	140	143	117	105	101	81	85	75	72	76
	Low	146	115	112	113	94	95	80	73	70	68	60	55
1921	High	72	69	76	81	82	78	74	72	79	79	82	83
	Low	59	57	61	69	72	64	67	64	68	73	76	77
1922	High	84	87	91	95	95	95	92	97	105	103	99	98
	Low	78	80	85	88	90	86	89	90	95	96	90	93
1923	High	97	107	110	105	95	98	88	87	89	77	75	77
	Low	93	95	103	94	86	80	81	82	72	65	68	71
1924	High	79	75	77	71	67	73	77	79	77	59	63	70
	Low	69	70	68	62	62	66	68	73	51	51	52	58
1925	High	65	53	51	42	40	39	41	42	42	52	50	47
	Low	49	48	37	36	35	35	36	39	39	38	46	40
1926	High	43	40	34	34	26	25	25	32	33	31	36	36
	Low	38	30	30	23	21	19	22	23	29	27	28	31
1927	High	33	27	24	20	21	20	23	25	27	23	24	22
	Low	24	22	19	18	17	16	18	20	21	21	21	20
1928	High	24	25	24	24	23	22	20	18	21	25	32	29
	Low	20	22	22	22	21	18	14	15	16	17	21	23
1929	High	28	26	23	22	21	20	19	20	17	16	10	9
	Low	23	20	19	18	18	17	17	15	16	6	8	7

ATCHISON

Year		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1914	High	100	99	99	97	97	100	100	Exchange Closed				96
	Low	93	96	96	92	94	96	89	European War				89
1915	High	96	96	100	105	103	102	103	105	105	109	111	108
	Low	93	92	94	99	97	99	99	100	101	103	106	105
1916	High	108	104	104	104	107	107	106	105	107	109	109	107
	Low	102	102	102	100	101	103	102	102	102	105	104	101
1917	High	107	104	106	105	103	103	102	100	98	98	90	88
	Low	104	100	101	101	98	100	99	98	95	90	82	75
1918	High	87	86	86	84	88	86	86	87	88	97	100	95
	Low	82	83	81	82	83	83	84	85	85	86	90	89
1919	High	94	93	94	96	104	103	104	98	92	94	92	86
	Low	91	90	91	91	94	97	98	88	88	90	83	80
1920	High	85	85	86	84	81	80	82	84	86	90	90	85
	Low	81	76	81	78	76	78	79	79	82	86	82	77
1921	High	84	83	83	83	84	81	86	87	87	87	91	94
	Low	82	81	77	78	80	76	80	83	84	84	85	89
1922	High	100	98	98	102	101	100	103	105	108	108	104	102
	Low	92	95	96	97	99	97	99	100	102	102	98	100
1923	High	102	104	105	103	101	104	100	98	99	99	98	98
	Low	100	100	102	100	98	97	94	94	95	94	95	95
1924	High	102	102	100	101	103	104	107	106	109	109	116	121
	Low	97	98	98	99	100	102	103	104	103	103	107	115
1925	High	123	125	128	122	122	121	121	123	125	124	126	140
	Low	116	116	117	118	117	116	118	120	121	120	121	123
1926	High	139	132	130	135	140	140	139	161	161	159	159	172
	Low	129	127	122	124	128	133	133	137	152	142	151	153
1927	High	171	173	181	186	185	185	196	200	197	195	193	200
	Low	162	163	166	176	179	176	177	187	189	181	181	191
1928	High	196	189	191	197	197	193	190	195	197	195	204	202
	Low	186	182	182	187	190	183	185	187	190	189	189	191
1929	High	205	209	205	203	224	237	260	298	295	287	245	234
	Low	196	196	195	196	197	210	236	251	267	221	200	216

CHICAGO, MILWAUKEE & ST. PAUL—COMMON STOCK

Year		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1914	High	107	107	103	102	102	101	101	Exchange Closed				93
	Low	98	101	96	94	97	96	85	European War				85
1915	High	93	89	91	98	96	93	91	87	89	95	96	101
	Low	87	83	85	88	85	88	78	80	82	86	93	92
1916	High	102	99	96	96	102	102	99	97	98	98	97	95
	Low	95	93	92	91	92	96	94	92	91	94	92	89
1917	High	92	87	86	83	81	78	74	72	66	56	47	49
	Low	87	78	80	79	70	71	65	66	54	44	35	35
1918	High	48	44	44	41	47	45	45	52	54	52	54	48
	Low	41	38	39	37	38	42	40	43	47	46	44	38
1919	High	41	38	41	39	47	47	53	48	46	46	46	40
	Low	36	34	35	36	38	40	42	38	40	41	36	34
1920	High	38	41	42	38	36	34	36	38	41	44	44	33
	Low	35	30	36	32	30	31	32	32	36	40	32	21
1921	High	31	29	28	27	30	29	28	29	27	26	24	23
	Low	28	26	23	24	26	22	25	23	25	22	23	17
1922	High	19	25	24	30	29	28	30	36	35	33	30	26
	Low	17	18	21	23	24	24	26	29	30	26	22	20
1923	High	24	26	26	24	22	24	20	18	18	16	15	15
	Low	21	23	23	20	20	18	16	14	15	11	12	11
1924	High	18	17	16	17	15	15	17	17	16	13	19	18
	Low	14	14	14	14	12	12	14	14	12	11	12	14
1925	High	16	14	13	6	10	10	9	9	10	9	11	11
	Low	13	11	5	3	4	8	7	8	8	7	8	9
1926	High	14	14	13	11	11	13	12	14	13	12	12	10
	Low	10	12	9	9	9	11	10	11	10	9	8	8
1927	High	12	17	15	17	16	18	17	19	19	19	18	20
	Low	9	10	12	14	14	14	15	15	16	15	15	16
1928	High	21	18	35*	40	40	36	36	38	39	37	37	35
	Low	17	15	22	32	33	30	33	35	35	33	33	32
1929	High	38	40	38	35	34	33	43	45	44	40	27	28
	Low	34	35	31	31	28	30	31	35	37	20	16	22

* Change in stock.

CHICAGO, MILWAUKEE & ST. PAUL—PREFERRED STOCK

Year		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1914	High	141	143	140	138	139	138	135	Exchange Closed				130
	Low	139	140	137	135	134	131	130	European War				126
1915	High	130	128	125	128	128	127	126	127	125	129	133	135
	Low	124	123	123	125	123	125	122	121	121	125	130	130
1916	High	136	133	130	130	130	131	131	130	127	129	127	125
	Low	131	128	127	128	128	130	128	126	124	126	125	123
1917	High	125	125	120	120	116	113	111	111	106	100	87	81
	Low	124	117	117	117	111	109	108	106	99	86	73	62
1918	High	79	77	76	72	78	75	77	81	81	84	86	82
	Low	72	68	69	66	69	73	71	74	75	75	78	70
1919	High	74	73	75	71	74	72	76	71	67	70	66	56
	Low	65	67	68	66	68	68	68	60	62	62	52	49
1920	High	54	60	61	55	52	52	54	55	62	65	65	52
	Low	30	46	53	49	46	48	48	49	54	60	49	37
1921	High	46	44	43	42	46	44	43	44	41	41	38	37
	Low	42	41	36	36	40	32	39	34	37	35	36	29
1922	High	33	39	38	47	46	43	47	55	55	52	47	39
	Low	29	30	36	38	41	38	41	46	47	42	33	31
1923	High	34	45	45	42	38	41	35	32	31	28	28	26
	Low	32	37	41	37	34	30	27	24	26	21	24	21
1924	High	28	27	28	30	27	25	29	29	27	22	32	31
	Low	23	22	22	24	21	21	23	24	19	18	21	25
1925	High	28	25	23	10	15	17	17	16	17	18	22	20
	Low	22	20	9	7	8	13	14	14	15	14	17	18
1926	High	22	20	19	18	19	20	19	24	23	21	22	20
	Low	18	18	14	15	16	18	16	18	19	16	18	18
1927	High	21	25	22	26	25	35	34	34	35	34	35	37
	Low	19	20	20	21	22	24	30	29	31	28	28	31
1928	High	39	33	48*	51	51	47	48	55	56	54	60	57
	Low	32	30	37	43	44	45	44	45	51	48	49	51
1929	High	61	64	62	57	54	53	63	69	67	61	46	50
	Low	55	55	51	51	46	49	51	56	60	30	29	40

* Change in stock.

CRUCIBLE

Year		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1915	High	....	....	.....	.....	35	33	83	93	110	106	85	76
	Low	....	...	....	.....	18	25	29	65	74	79	67	71
1916	High	75	86	99	96	88	87	75	79	97	96	96	87
	Low	53	71	70	75	73	73	63	67	73	79	82	50
1917	High	69	69	73	73	83	91	92	86	75	74	60	55
	Low	60	50	62	59	59	79	78	66	63	59	49	46
1918	High	59	68	66	68	75	70	69	70	69	65	58	61
	Low	52	55	59	61	60	60	63	65	63	52	53	55
1919	High	60	62	70	73	84	97	149	164	248	261	250	222
	Low	52	52	60	65	69	86	94	126	166	222	175	192
1920	High	233	224	269	278	148	154	162	139	135	133	125	99
	Low	197	189	190	140	115	130	141	118	118	120	85	70
1921	High	107	97	96	87	86	68	60	58	65	67	67	69
	Low	73	87	81	74	67	51	51	49	54	57	62	63
1922	High	67	64	59	66	77	77	94	96	98	90	80	73
	Low	57	53	53	56	64	66	73	90	81	75	58	61
1923	High	75	82	84	83	76	75	67	69	68	63	68	69
	Low	68	71	78	75	63	62	58	59	57	57	62	64
1924	High	68	72	65	58	54	55	56	60	60	58	73	76
	Low	65	61	54	50	48	49	51	49	51	53	55	69
1925	High	80	78	80	69	72	69	75	75	77	77	85	83
	Low	73	68	64	65	65	64	68	70	72	72	76	79
1926	High	81	80	73	71	70	75	76	78	76	75	79	83
	Low	77	67	66	64	65	70	73	72	73	68	70	74
1927	High	81	90	97	93	90	89	96	95	96	90	89	93
	Low	77	79	86	84	83	80	81	86	87	76	79	83
1928	High	90	93	89	92	89	86	73	81	80	82	88	90
	Low	84	84	85	86	84	72	69	71	77	75	76	79
1929	High	94	92	92	92	92	104	107	122	120	107	91	90
	Low	85	85	85	86	85	87	101	104	104	78	71	76

ERIE

Year		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1914	High	32	32	30	30	29	30	29	Exchange Closed				24
	Low	27	29	28	26	27	27	20	European War				20
1915	High	24	23	26	30	29	28	27	30	33	44	46	45
	Low	21	20	21	25	22	25	25	26	28	31	40	41
1916	High	44	40	38	37	41	40	37	40	41	41	40	39
	Low	35	35	35	32	34	34	34	35	36	36	36	32
1917	High	35	29	31	30	27	28	26	26	22	21	16	17
	Low	30	25	25	26	22	24	24	21	20	15	13	13
1918	High	17	16	16	15	17	16	16	16	17	18	23	20
	Low	14	14	14	14	14	15	15	15	15	15	17	16
1919	High	17	17	18	18	20	20	20	18	16	17	16	14
	Low	15	15	16	16	17	17	17	15	15	15	13	12
1920	High	14	16	16	14	13	12	14	15	21	21	19	15
	Low	12	9	14	12	11	11	11	12	15	17	14	11
1921	High	15	14	13	13	15	14	14	14	14	14	13	12
	Low	13	13	11	12	13	11	13	12	13	11	11	10
1922	High	11	11	12	15	19	17	18	19	18	16	14	11
	Low	7	8	10	11	13	13	15	17	14	14	9	10
1923	High	12	13	13	13	12	14	12	16	15	15	20	21
	Low	10	11	12	11	10	10	11	11	13	13	14	19
1924	High	27	28	26	27	26	30	35	35	30	29	33	34
	Low	21	23	24	24	24	25	28	28	27	25	28	30
1925	High	34	34	33	30	31	29	29	34	33	37	38	39
	Low	31	31	27	27	27	27	27	28	30	31	34	37
1926	High	40	38	37	33	34	37	39	35	36	40	40	42
	Low	34	35	22	25	30	33	32	31	32	36	38	38
1927	High	44	47	49	57	57	57	64	66	70	70	65	67
	Low	39	42	42	48	51	51	52	58	59	59	60	61
1928	High	66	60	59	60	63	57	55	54	62	60	72	72
	Low	59	50	52	55	55	49	51	50	54	55	55	60
1929	High	73	75	78	73	77	82	87	91	93	85	61	66
	Low	67	66	64	65	68	75	78	80	81	43	42	54

FOUNDATION

Year		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1923	High	.....	...	..	72	71	70	78	78	72	70	72	70
	Low	. ...	...	.....	68	64	66	67	69	65	58	64	66
1924	High	69	74	76	72	75	72	73	88	87	88	93	95
	Low	66	68	71	68	69	70	70	73	81	82	85	86
1925	High	106	109	108	111	117	122	135	140	142	173	184	177
	Low	90	102	97	107	110	111	120	123	131	135	160	136
1926	High	180	168	129	107	100	107	105	102	105	91	87	82
	Low	155	127	93	96	85	90	90	92	83	77	78	73
1927	High	82	86	87	89	82	67	62	63	58	53	48	52
	Low	76	75	77	79	68	55	56	55	46	47	35	37
1928	High	52	49	47	53	56	50	48	45	43	40	48	57
	Low	43	43	42	43	45	42	42	37	37	36	37	41
1929	High	53	54	62	70	69	53	58	46	43	41	25	23
	Low	45	45	49	52	44	48	46	40	35	21	13	15

GENERAL MOTORS

Year		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1914	High	47	76	79	82	99	96	93	Exchange Closed				87
	Low	37	47	73	72	78	88	55	European War				73
1915	High	94	95	127	150	146	159	189	224	375	395	476	558
	Low	82	82	92	122	125	135	154	181	219	320	365	450
1916	High	495	485	485	460	525	560	510	585	750	850	818	135*
	Low	415	470	440	405	415	515	465	500	574	759	810	120*
1917	High	146*	115	125	121	112	121	125	117	109	101	94	106
	Low	101*	99	107	98	100	103	109	105	86	82	74	82
1918	High	139	142	129	124	128	157	159	164	133	140	136	132
	Low	107	116	113	115	115	117	135	132	110	112	122	123
1919	High	134	155	171	183	210	243	242	239	265	291	406	345
	Low	118	125	148	168	179	203	220	210	230	254	280	310
1920	High	345	310	410	390	312							
	Low	293	225	233	275	280							
1920	High	New s	tock	42	39	31	28	28	22	22	19	18	16
	Low			24	27	25	22	21	20	16	17	13	13
1921	High	16	15	14	14	14	12	12	11	11	10	12	12
	Low	14	14	12	12	11	9	10	9	10	11	10	10
1922	High	10	10	11	13	15	15	15	14	15	15	15	15
	Low	8	8	8	10	12	13	13	13	14	13	13	13
1923	High	15	15	15	17	17	15	14	16	16	14	15	16
	Low	13	13	15	15	14	13	13	14	13	13	14	14
1924	High	16	16	16	14	14	14	15	15	62*	60	62	67
	Low	15	14	14	13	13	13	13	14	60*	56	56	59
1925	High	76	79	76	75	78	85	89	95	112	140	150	121
	Low	65	73	68	69	73	76	84	88	88	110	106	111
1926	High	128	131	130	135	133	149	195	226	222	173	154	160
	Low	116	121	113	115	121	123	146	190	140	141	137	138
1927	High	156	169	183	196	200	205	228	252	277	282		
	Low	145	152	163	177	198	191	194	216	245	262		
1927	High						New s	tock	127	139	141	135	139
	Low								113	123	125	125	125
1928	High	139	139	199	199	210	202	200	203	219	224	225	213
	Low	130	132	137	183	185	169	182	176	198	209	205	182
1929	High	86	88	92	88	86	76	77	75	79	69	46	44
	Low	78	78	77	81	66	69	66	68	66	34	36	39

* New stock.

NEW YORK CENTRAL

Year		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1914	High	97	96	92	91	94	93	91	Exchange Closed				85
	Low	88	88	88	87	91	87	77	European War				80
1915	High	93	90	88	92	90	91	89	92	98	103	104	110
	Low	85	82	81	83	82	85	82	88	91	96	101	101
1916	High	111	108	107	105	108	108	106	107	111	114	110	109
	Low	103	102	102	100	103	103	103	102	103	106	106	101
1917	High	104	98	100	98	94	94	91	89	82	77	72	73
	Low	100	91	93	92	86	89	87	80	75	70	65	62
1918	High	74	73	74	70	76	73	73	75	76	82	85	80
	Low	67	70	68	68	68	71	71	71	72	73	75	73
1919	High	75	76	78	76	83	84	83	79	74	75	76	71
	Low	69	71	73	73	75	78	78	70	71	72	69	67
1920	High	71	73	77	75	72	71	71	75	78	83	84	75
	Low	68	64	71	68	66	67	67	70	73	77	73	66
1921	High	74	72	71	70	73	70	73	74	74	74	75	76
	Low	71	70	66	67	67	64	68	68	70	70	71	73
1922	High	76	78	89	93	92	97	99	100	100	102	100	97
	Low	73	74	78	86	88	88	94	96	94	95	89	92
1923	High	95	99	100	95	100	104	100	101	103	102	105	107
	Low	93	94	95	92	90	96	96	96	99	99	101	103
1924	High	106	106	102	103	103	107	109	111	110	108	119	120
	Low	102	99	100	100	100	101	104	106	106	103	108	115
1925	High	125	124	124	117	119	118	119	124	124	128	131	137
	Low	117	119	114	114	116	113	115	116	118	120	134	127
1926	High	136	131	128	127	128	133	135	140	147	143	138	147
	Low	127	126	117	119	121	126	129	134	140	129	131	133
1927	High	145	147	146	152	155	156	156	158	168	171	166	166
	Low	137	139	140	143	145	148	147	149	153	156	158	160
1928	High	164	160	181	189	191	187	173	177	181	178	196	194
	Low	158	156	160	173	178	166	159	161	173	169	172	179
1929	High	200	204	200	187	196	210	245	256	256	230	202	183
	Low	187	186	178	178	179	192	209	226	218	175	160	167

SOUTHERN RAILWAY

Year		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1914	High	27	28	26	26	26	25	25	Exchange Closed				17
	Low	23	25	25	22	24	23	17	European War				14
1915	High	18	17	17	19	19	17	16	17	20	26	26	24
	Low	14	13	13	17	16	15	12	14	15	18	23	22
1916	High	24	22	22	22	24	24	25	25	26	31	30	37
	Low	20	20	20	18	20	22	22	23	23	25	26	27
1917	High	33	30	31	29	29	29	28	29	28	28	26	25
	Low	29	27	27	27	23	26	25	26	25	25	23	21
1918	High	25	25	25	23	26	25	24	27	28	33	35	32
	Low	22	23	22	20	21	23	23	23	25	27	28	28
1919	High	30	29	30	30	33	32	32	29	26	27	27	24
	Low	25	26	27	27	28	29	29	23	24	25	22	20
1920	High	23	26	26	24	23	24	31	30	33	33	31	25
	Low	21	18	23	20	20	22	23	26	27	29	23	18
1921	High	25	23	22	22	24	21	22	21	22	21	20	20
	Low	22	21	19	19	20	17	19	18	19	19	19	18
1922	High	19	21	23	26	25	25	26	29	27	27	25	25
	Low	17	17	20	23	23	21	23	25	24	24	21	23
1923	High	31	34	35	35	34	37	34	33	35	36	38	39
	Low	25	29	33	31	29	31	31	30	32	32	34	36
1924	High	47	51	56	56	55	64	67	70	71	69	76	80
	Low	38	44	48	52	53	54	63	63	64	64	67	75
1925	High	86	92	92	93	97	99	102	108	108	116	116	120
	Low	71	84	82	83	91	93	96	99	102	105	110	115
1926	High	120	116	115	113	114	119	121	128	131	126	121	126
	Low	112	111	104	106	107	114	116	119	125	115	117	116
1927	High	127	127	125	127	130	130	134	136	137	137	142	149
	Low	119	121	122	121	122	125	124	130	131	130	131	139
1928	High	147	145	150	156	165	160	152	154	154	147	151	148
	Low	142	139	142	145	156	144	142	146	146	142	144	142
1929	High	158	158	152	147	144	150	160	154	162	152	141	141
	Low	146	146	142	141	138	141	148	149	153	126	109	131

UNION PACIFIC

Year		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1914	High	164	164	160	161	159	157	157	Exchange Closed				122
	Low	153	159	155	149	154	151	112	European War				112
1915	High	123	121	126	135	132	130	130	135	135	139	141	140
	Low	116	117	118	124	121	123	123	126	128	131	135	136
1916	High	140	135	135	134	143	140	140	144	152	153	153	150
	Low	131	132	130	130	131	135	136	137	137	143	146	142
1917	High	149	139	145	141	140	139	137	138	132	129	118	115
	Low	141	131	133	135	129	134	133	130	127	116	108	101
1918	High	118	124	123	121	126	123	123	129	128	137	137	132
	Low	110	113	116	117	118	120	121	121	122	126	126	125
1919	High	130	132	133	132	138	136	136	132	125	126	132	126
	Low	124	126	127	128	130	130	131	119	120	122	121	120
1920	High	125	123	125	122	119	115	117	124	126	129	129	120
	Low	121	110	118	116	112	112	112	114	120	124	117	111
1921	High	122	122	121	118	122	119	121	123	123	123	132	129
	Low	117	118	114	113	116	111	117	118	118	117	120	124
1922	High	131	135	135	140	142	140	145	153	155	152	147	141
	Low	125	126	130	133	135	134	139	141	147	144	137	134
1923	High	139	145	144	142	138	138	133	134	133	131	134	131
	Low	135	137	139	135	132	127	125	124	127	127	129	125
1924	High	131	133	130	132	134	137	144	147	143	140	151	152
	Low	128	128	127	128	130	129	135	141	138	136	139	145
1925	High	153	152	150	142	142	139	142	144	143	143	149	152
	Low	148	148	135	133	136	134	138	140	139	138	141	146
1926	High	150	150	147	149	151	154	156	164	167	168	165	166
	Low	144	144	141	143	145	147	151	154	158	157	160	159
1927	High	164	172	172	175	181	178	189	192	192	197	197	198
	Low	159	162	164	167	171	170	172	183	186	185	187	191
1928	High	193	196	199	203	205	202	196	199	203	206	225	219
	Low	188	186	190	193	197	190	190	192	195	196	202	204
1929	High	224	231	230	220	228	235	276	297	296	274	235	228
	Low	215	218	209	213	216	223	235	262	264	230	200	211

U. S. CAST IRON PIPE

Year		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1914	High	13	13	13	12	10	9	9	Exchange Closed				8
	Low	11	13	11	11	9	8	9	European War				8
1915	High	10	9	10	16	18	16	17	23	25	32	31	26
	Low	8	9	10	10	12	13	12	15	19	23	25	23
1916	High	25	20	26	22	23	24	22	22	27	28	28	28
	Low	15	16	16	17	19	19	18	19	19	22	25	19
1917	High	23	20	23	21	24	24	23	22	18	17	13	12
	Low	20	17	19	18	18	21	21	17	16	12	10	10
1918	High	14	16	14	14	17	16	16	15	14	15	15	16
	Low	12	14	14	11	13	14	15	13	12	14	13	13
1919	High	16	20	21	27	28	37	36	39	34	34	30	23
	Low	14	14	18	20	24	27	30	28	27	29	20	20
1920	High	25	20	23	24	18	17	19	16	15	15	14	12
	Low	19	16	16	16	16	16	15	12	13	13	10	10
1921	High	14	16	19	18	19	15	15	15	16	16	19	18
	Low	11	12	15	16	15	12	14	12	13	13	15	16
1922	High	21	28	39	38	37	36	35	39	35	35	32	29
	Low	16	17	26	33	33	27	30	33	31	27	23	24
1923	High	33	33	34	32	29	28	28	31	34	41	58	69
	Low	29	29	31	28	23	20	20	24	27	30	36	54
1924	High	85	77	81	94	92	97	102	109	115	119	147	170
	Low	66	64	70	69	79	84	94	92	100	106	118	133
1925	High	185	250	245	175	168	170	165	181	178	221	227	213
	Low	160	177	152	131	143	155	139	146	160	162	176	190
1926	High	210	207	183	177	169	205	246	248	220	222	223	239
	Low	188	180	158	159	150	167	200	209	197	190	202	215
1927	High	228	226	224	234	246	239	242	230	212	214	225	221
	Low	202	208	207	214	220	220	220	190	191	196	193	211
1928	High	222	211	269	300	271	274	242	249	280	263	53*	47
	Low	205	190	193	245	244	230	239	242	240	260	45	38
1929	High	47	48	56	45	45	35	35	30	32	27	21	22
	Low	42	38	36	40	27	29	29	26	26	12	15	19

* New stock.

U. S. RUBBER

Year		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1914	High	63	61	63	63	59	59	60	Exchange Closed				58
	Low	58	58	59	53	56	57	44	European War				45
1915	High	59	59	66	75	71	67	54	55	55	56	59	56
	Low	52	53	53	64	56	48	44	45	49	52	52	53
1916	High	58	53	55	54	57	57	55	59	63	63	69	71
	Low	49	49	48	50	51	52	51	52	56	58	59	55
1917	High	65	56	62	60	59	64	64	67	63	60	55	53
	Low	56	51	51	56	53	57	58	60	57	55	48	45
1918	High	57	59	58	59	60	60	63	64	64	70	75	80
	Low	51	56	54	52	54	55	58	60	59	61	65	72
1919	High	81	85	87	95	115	139	138	137	132	138	139	138
	Low	73	74	80	82	92	110	123	113	110	119	112	117
1920	High	144	128	115	115	102	97	102	89	90	81	73	70
	Low	122	91	93	97	89	93	86	80	75	71	58	53
1921	High	73	72	75	80	79	68	56	54	51	51	51	57
	Low	62	65	65	69	66	50	47	40	43	46	47	49
1922	High	56	57	65	67	67	66	64	59	58	58	55	56
	Low	52	53	57	62	62	57	58	55	49	51	47	50
1923	High	62	62	65	62	58	52	44	44	44	40	39	40
	Low	55	57	59	58	49	38	40	35	36	31	34	36
1924	High	43	39	36	32	30	29	32	38	37	36	41	42
	Low	37	35	29	25	22	24	27	30	31	32	32	38
1925	High	44	45	43	42	48	55	65	59	65	81	97	91
	Low	40	39	33	36	40	46	54	53	51	65	78	76
1926	High	88	87	77	70	63	65	61	69	67	63	64	64
	Low	78	75	61	58	50	63	56	57	60	52	56	57
1927	High	62	67	66	65	59	52	47	52	58	58	56	58
	Low	57	59	60	56	49	37	41	45	46	49	47	52
1928	High	63	61	54	53	46	44	34	40	44	44	44	48
	Low	56	46	40	41	41	27	27	31	36	36	37	38
1929	High	55	54	65	58	60	54	55	50	58	56	36	31
	Low	42	46	51	51	45	46	46	44	46	15	22	23

U. S. STEEL

Year		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1914	High	67	67	65	64	64	63	62	Exchange Closed				55
	Low	57	64	62	56	58	58	50	European War				48
1915	High	53	45	50	61	61	64	58	78	80	88	88	89
	Low	40	38	42	48	48	53	58	67	74	77	84	84
1916	High	89	86	87	86	86	87	87	99	121	122	130	127
	Low	79	81	80	80	80	83	83	86	95	108	118	100
1917	High	116	109	118	119	137	135	130	128	114	111	99	92
	Low	108	99	103	109	112	125	119	109	104	109	89	79
1918	High	98	98	93	96	114	110	109	116	116	115	104	100
	Low	89	93	86	89	95	96	101	107	107	101	94	92
1919	High	97	96	101	103	109	112	115	110	108	112	112	107
	Low	89	88	92	97	96	103	107	98	100	104	102	101
1920	High	109	106	106	107	97	95	96	91	91	90	89	83
	Low	104	92	93	94	90	91	87	84	86	85	80	76
1921	High	85	85	83	85	86	80	76	76	80	82	85	85
	Low	80	81	78	79	79	70	71	72	74	77	80	83
1922	High	88	96	96	100	102	103	102	105	106	111	111	108
	Low	82	85	93	95	97	97	98	100	101	101	100	101
1923	High	109	108	110	108	104	98	93	94	94	91	96	100
	Low	104	104	105	103	95	90	85	86	86	86	91	94
1924	High	107	109	104	101	100	100	108	112	110	110	119	121
	Low	98	101	97	95	95	94	99	106	105	105	109	116
1925	High	130	128	125	118	120	117	120	126	126	130	139	137
	Low	120	122	112	113	113	113	115	117	118	120	127	129
1926	High	138	134	128	125	125	144	149	160	153	155	153	160
	Low	132	124	118	117	118	122	138	147	142	134	138	146
1927	High	159	162	167	173	176							
	Low	153	156	156	165	165							
1926	High										News	tock	117
	Low												114
1927	High	116	116	121	125	126	126	138	148	160	155	148	155
	Low	111	113	114	119	118	119	119	129	143	129	130	138
1928	High	153	147	152	154	150	147	145	156	162	166	172	167
	Low	144	138	137	144	142	132	134	139	152	156	160	150
1929	High	193	192	194	192	184	191	211	260	261	234	190	189
	Low	157	168	171	176	166	165	189	209	221	166	150	157

ANSWERS TO INQUIRIES

Hundreds of people write in from time to time asking for different kinds of information. In order to avoid having to answer a lot of unnecessary correspondence, we are answering frequent inquiries below.

MAGAZINES

Many people write and ask what magazines we consider best for an investor or a trader to read. We consider the *Magazine of Wall Street* one of the best magazines for information pertaining to the stock market. *B. C. Forbes' Magazine* is also good. It contains many valuable articles on financial affairs. The *Annalist* published weekly by the *New York Times* specializes on financial affairs and contains information valuable to traders and investors.

NEWSPAPERS

Investors and traders often want to know what newspapers we consider best for them to read.

The Wall Street Journal.—This is the best financial newspaper published. It specializes in presenting all facts and information pertaining to corporations throughout the country, as well as major foreign corporations. Pertinent national news, especially agricultural and political, is equally stressed. This was one of the first papers to publish a set of Averages on railroad and industrial stocks. These Averages go back to 1896. Since 1914, it has published an average of bond prices, and since 1928, a public utility stock average. All of these averages are published daily and are very valuable to investors and traders who want to keep up charts on these various groups. Another feature of the *Wall Street Journal* is that it publishes each day a list of stocks which make a new high for the year and a list that make a new low for the year. The *Wall Street Journal* does not publish any tips, rumors or misleading information. It publishes only reliable facts which are helpful to investors and traders. From time to time the *Wall Street Journal* publishes various charts on stocks, which are very helpful

to traders and would cost them a lot of money if they had to secure the records and make up the charts themselves.

New York Daily Investment News.—This paper is specially good for active traders. It specializes in up-to-the-minute news on stocks and bonds, and publishes charts from time to time which are interesting and valuable to investors and traders.

The New York Evening Post.—This is also a good financial paper and contains many valuable special articles from time to time.

The New York Herald Tribune.—This paper carries averages on various groups of stocks as well as other information which is helpful to traders.

The New York Times.—This also has a special set of averages and is a good paper for investors and traders to read.

What investors and traders want is the facts about the different companies and reports and not tips or rumors. The above papers, all of which are published in New York City, strive to give facts and reliable information.

COMMODITIES

Traders who are interested in the different commodity markets often inquire what is the best paper to read on commodities.

The *Journal of Commerce* of New York City makes a specialty of commodities and covers everything in the field. *Commerce and Finance* of New York City, is another very valuable publication, which specializes in cotton, but covers other commodities and has interesting articles from time to time on stocks and other general financial affairs.

BROKERS

People write and ask if we consider such and such a firm of brokers reliable. We consider all members of the New York Stock Exchange, the New York Cotton Exchange, and the Chicago Board of Trade reliable, and advise traders to always keep their accounts with members of these responsible Exchanges. If in doubt about your broker, get a report through Bradstreet, R. G. Dun, or Bishop Service. For brokers not members of one of the leading Exchanges,

you should get a private report through your banker or some commercial agency, before placing your account with them. You might be trading with a bucket shop and not know it.

WHERE TO OBTAIN PRICES

Frequent inquiries come in as to where traders can obtain high and low prices on different stocks and commodities. The *Financial Chronicle* and *Standard Statistics* give records of high and low prices and people interested can write these publications and obtain prices which they want.

For commodities.—Cotton Facts, published in New York City, specializes in statistical information on cotton. Records on high and low prices on grain can be secured from the Chicago Board of Trade or from brokers who are Members of the Chicago Board of Trade. The same with sugar, coffee, cocoa, rubber, silk, and other commodities. The brokers who are members of these various Exchanges are always glad to furnish records of past high and low prices and other statistical information to people who are interested and there is usually no charge by the broker for this kind of service.

ODD LOT TRADES IN STOCKS AND JOB LOTS IN GRAIN

Traders often inquire whether they can buy and sell odd lots of stocks. Most of the brokers who are Members of the New York Stock Exchange, accept orders for odd lots. Most all of them will buy stocks outright or for cash in any amount from one share on up. Job lots or 1000 bushels of grain are traded in on the Chicago Board of Trade. Some of the brokers handle job lots and some do not. You can inquire from any broker who is a Member of the Chicago Board of Trade and find out about trading in job lots or less than 5000 bushels, which is a round lot or a contract. The Chicago Board of Trade and New Orleans Cotton Exchange trade in 50 bales of cotton. No other reliable exchange will trade in less than 50-bale lots of cotton. Those that are trading in or soliciting business for odd lots of cotton in 10 bales or more, are as a rule bucket shops. Traders should be careful about placing their accounts with firms of this kind.

WHAT FITS A MAN TO WRITE AS AN AUTHORITY

In professions and business the man who is considered an authority and whose opinion is of value, is the man who has had years of experience in some special line. When a lawyer, doctor, or engineer leaves college, he has nothing but a theory. He may be highly educated and he may know all the college can teach him on the subject, but no man can get from college the great fundamental basis of real practical knowledge. That can only be learned in the school of experience. When a man applies theories to practical work, he finds many of them fail. We all learn by experience, and it has been well said that fools learn in no other school.

A man may evolve a beautiful theory for making money in the stock market, and he may try it out on paper and find that it works. It is apparently successful, but when he applies it to actual trading and begins to buy and sell, he then finds the weak point and the theory fails in actual practice. I know whereof I speak, for I have tried dozens of different theories, put my money down and lost; exploded the theory, discarded it and started all over again.

After over twenty years of diligent study of the stock and commodity markets, I feel that I am competent to write something from experience that will prove valuable to others in actual practical trading. The fact that my method of forecasting has stood the test of time is sufficient proof that I have solved the problem. Hundreds of people throughout the country know that my method accurately forecasted the war markets from 1914 to 1919 and that it also correctly forecasted the period following the war, when all of our best economists claimed that the world war had so upset conditions that no theory that had worked in the past would work in the period following the war. My method has worked, for I have issued an annual forecast every year that

has proved remarkably correct, and in the language of my friend, the late George Stuart Smith, "it is down in black and white that won't come off." You do not have to accept my word for it. I stand on my record. Satisfied subscribers in almost every state in the Union, who have followed my forecasts, know that science beats guesswork.

A newspaper reporter once asked Mr. William E. Gilley: "Why has Mr. Gann made a success forecasting the market?" Mr. Gilley replied: "Because he has devoted over twenty years to the study of the stock and commodity markets to the exclusion of everything else. He has concentrated on this one study and years of concentration bring success. He has the mathematical ability and possesses a fine analytical mind which enables him to discover the strong and weak factors and to pick and use only the rules which he finds are provable over years in the past and that work out successfully in future."

HOW GANN'S SERVICE WILL HELP YOU

There never was a time in the history of the world when the service of a specialist was more necessary in various lines than at the present. This is the age of the specialist. A man whose service is of value in any profession is the man who concentrates and specializes in one thing. No sensible man seeks the service of a man who is a jack-of-all-trades. If I have trouble with my eyes, I do not go to a general practitioner, but to a man who is an eye specialist. I do not look for a cheap man because I know I can only get the kind of service that I pay for; the best is always the cheapest in the end.

The reason people lose money in investments and speculation in the stock and commodity markets is because they lack the proper knowledge. Another reason is that they think it is unnecessary to pay out money for expert advice. They can ask their broker or their banker what to buy or sell, but they never stop to ask themselves the question, "Why should the banker or broker know any more about the right thing to buy or sell and the right time than I do?"

They look for advice for nothing, and in the end find they pay the dearest for it, because they lose their money.

A broker is not supposed to be an expert market forecaster. That is not his business. His business is to buy and sell for commissions. That is the way he makes his money. His opinion is not valuable because he does not study and concentrate on the movements of markets. The average broker's opinion is worth less than that of anyone else—not because he wishes to mislead you, or because he is dishonest, but simply because his business is so confusing and he sees and hears so much that his judgment is unreliable. He has to listen to all rumors, and to the views of both buyers and sellers. I know many honest, conscientious brokers who refuse to give their opinion on stocks, because they do not consider it worth acting on.

My service is valuable to you because I am an expert, and because my success depends upon your success. I have nothing to sell but service; am not a broker or a promoter; never buy or sell stocks or bonds to anyone. I have concentrated on the market alone for over 20 years. I study the market daily from an unbiased standpoint. I have no hopes or fears. Neither are there any selfish motives when I advise you to buy or sell. I must keep you making money in order to retain your patronage. Do you realize that when you secure my services for $100.00 or $200.00 per year that you are getting the same service from an expert that you would get if you hired a man for $25,000 a year? The reason that I can make my rates so low is just the same reason why you can buy a ticket to the opera for $5.00 to hear a great artist sing, who receives several thousands of dollars per night. Hundreds of people subscribe to my service, which enables me to give the service at a reasonable price.

You can always feel and know that I am working for your interest and for your success. Your broker, in order to keep his business going, must work for his own interests. Therefore, he must get you to buy and sell as often as possible to help make more commissions. My object is to get you in near the top or bottom and keep you in as long as your trades are proving profitable. I do not try to get you

in and out too often. If I did, the commissions, taxes, and interest would increase your expenses and cut down your profits.

Many people are at last beginning to stop and think before they act. This is evident by a letter I received some months ago from a prominent business man in the West. He wrote as follows: "I want a service on stocks that I can depend upon. After you answer my questions, I can then judge whether you have the service I want. Are you a broker, or in any way connected with brokers? Are you a promoter? Do you ever advise buying certain stocks, either listed or unlisted, because you receive a commission from promoters who are selling the stock? Is your advice based on tips or inside information? Do you speculate for your own account?"

I replied to his letter as follows: "My calculations are based on supply and demand and are purely scientific, mathematical calculations. Many years ago I discovered a time factor which enables me to tell when accumulation or distribution is taking place and when stocks reach approximate tops or bottoms.

"I have no connection with any brokers or promoters whatever. I am working for my subscribers and no one else. By doing this, I have built up a big business and am satisfied to continue working for the benefit of my subscribers. I do not receive any commission from promoters or have anything to do with their schemes.

"I never advise buying or selling stocks that are not listed on the New York Stock Exchange. I never follow tips or inside information. I have never known any man who could get inside information that would make money. So-called inside information and tips invariably result in losses.

"In regard to speculating for my own account, my judgment is always best when I am out of the market, because I am not influenced by hope or fear and I am able to see both sides from an unbiased standpoint. A lot of people think that a man who has a method that can forecast the market as accurately as I have for many years, can make a fortune in the market. I have made a world's record more than once, speculating on my own account. But when I did

it, I was concentrating on that alone and was not trying to handle business for other people. When hundreds of people follow my advice, I owe my time and attention to them and it is my duty to try to keep them on the right side of the market."

After receipt of the above letter, the gentleman subscribed to the service and is now a well-pleased subscriber.

In order to make a success speculating for your own account or furnishing advice to others requires concentration and constant application. No man can do two things successfully at the same time. He can not eat his pie and give it away. As an expert adviser, I have no right to speculate when my subscribers are paying me a sum equal to the income of a millionaire, to look after their interests. My time belongs to them and I should not use it speculating for my own account—especially when it would interfere with my judgment and thereby cause losses to my subscribers.

People often say "If you can forecast the market as accurately as you claim, you would not be selling information." The man who makes this kind of a statement is either ignorant or selfish. He may be quoting some newspaper or some prominent man he has heard make such statement. Every man who renders service to the public does not do it for dollars and cents alone, but for the pleasure he gets out of it. Does Mr. Rockefeller sell oil because he needs the money? Does Mr. Ford sell automobiles because he needs the money? No! These gentlemen have long since passed the stage where money counts with them. They are supplying the public with something that is necessary and at the same time performing a great service to humanity by paying good salaries and giving people a chance to become independent. Would I not be very selfish when I have a knowledge that can be used by thousands of people to protect them against losses and help them make profits, if I refused to sell it to them? People seldom stop to think that the easiest job on earth is to be a critic. It requires no brains to say "It can't be done." Any fool can say that. You can teach a parrot to say it. It requires no brains or education to simply say "If" and "It can't be done." I always welcome intelligent criticism for the sake of progress, but have no

time for people who know nothing more than to say "If" and "can't."

I came to Wall Street fifteen years ago and stated that I had discovered a method that would forecast the stock and commodity market. Many of the wise boys said that I was crazy; that it was impossible, and could not be done. But I did it. In 1909, after the Ticker Magazine announced the fact that I had made a world's record in the stock market following scientific speculation, men and women from all parts of the country wrote or came to see me to get my money or tell me what to do with it. They could all give me advice and tell me about things that I had been working for years to find out for myself. One gentleman, I remember distinctly, who was many years my senior, called to see me and stated that he had come to give me some good advice. I thanked him and he said:

"Young man, I have been down in Wall Street for forty years and I have tried in every way to figure out a method to beat this game but it is impossible—it can't be done, because it is a gambling game. You were simply lucky and have made a lot of money and attribute it to a scientific method of forecasting the market. You will find in a short time that your method will fail because you will run into a different kind of market. Quit now, while you have money and don't fool yourself by imagining that you can forecast the stock market." I thanked him for his advice, and said:

"If you will permit me I will tell you a story that I heard in Texas. It was in the fall of the year, when the pecan trees were full of fruit and as a rule at this time of the year heavy rain sets in and when the wind starts to blow the pecans fall to the ground. This particular season proved to be very dry. The wind blew but there was no rain. An old 'razorback hog' had made it a habit for many years of visiting a certain large pecan tree and waiting until the rain started and the wind blew the pecans down to supply him with food. This season weeks went by and no pecans fell. He was very hungry—almost starved to death. He rooted at the foot of the tree and butted his head against it till his strength had gone, but was unable to cause a pecan to fall. One day when he was about ready to give it up in despair,

a monkey came along and said 'Hello there, old fellow; this tree is certainly loaded with fine pecans, and I am hungry; I think I'll get some of them.' The hog grunted and said: 'It can't be done; I have tried it.' But the monkey climbed the tree and ate and was satisfied. The difference between the hog and the monkey was that the monkey knew how to try in a different way."

The man who tries and quits never gets very far and the man who admits to himself that it can't be done has already failed. After all my critics and good advisers offered me their suggestions I continued to follow my scientific studies, proving all things and holding fast to that which I found good. And my discoveries have stood the test of time, as evidenced by my forecasts over a long number of years. The field where the few are is the place to make the money. There is no money or honor in doing the things that everybody can do. It is doing the impossible thing, or the so-called impossible, that makes the success. So, when someone says to you "He can't do it" and gives you a lot of "ifs" "ands" and "buts" about it, don't accept his decision as final but investigate and then decide.

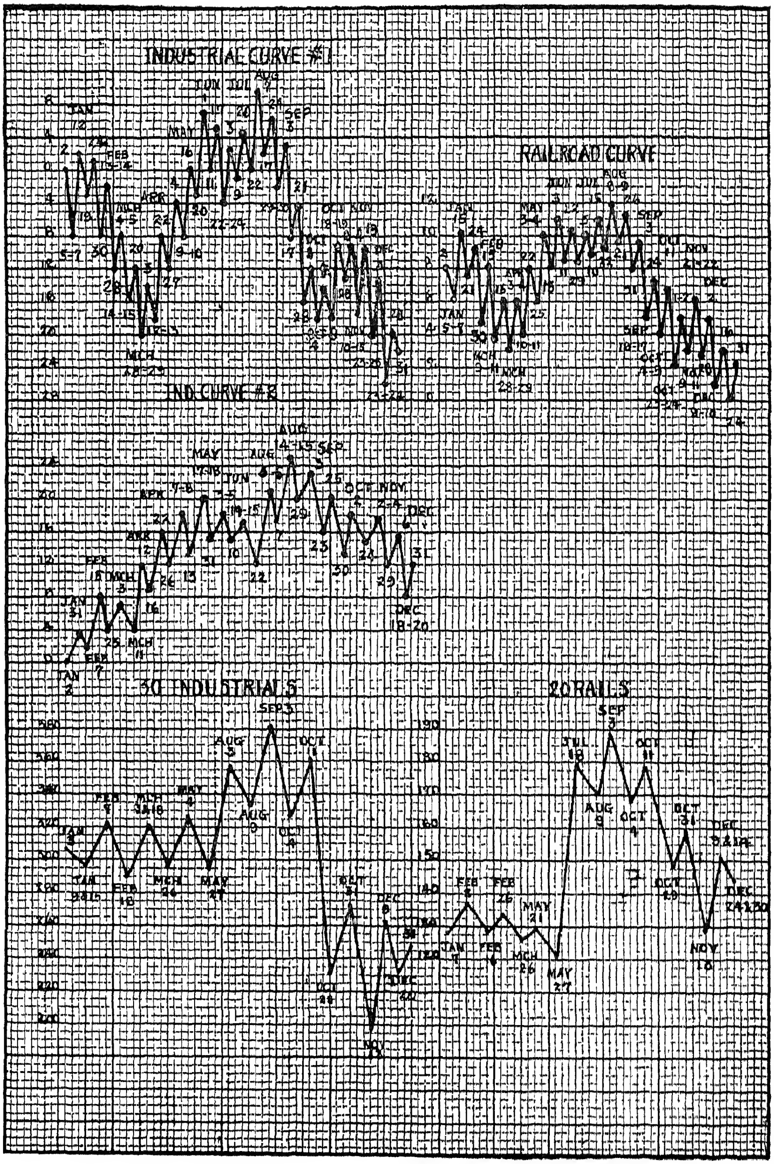
What would you do if you made a great scientific discovery that would save the public from losing millions of dollars and protect the innocent lambs from being fleeced in Wall Street? Would you keep it a secret for your own selfish purposes and cover it up like moonshine, or would you broadcast it like sunshine? The greatest happiness that can come to any man is through rendering the greatest service to his fellowmen. Emerson was right when he said "If a man can write a better book, preach a better sermon, or build a better mouse-trap than his neighbor, and even though he build his house in the woods, the world will make a beaten path to his door." I have tried to write a better book, and to render a better service to the public than others. If I succeed in this, I am satisfied regardless of what my critics may say.

Industrial Curve No. 1, shown below, is an exact copy of my Forecast, sent out on November 3, 1928, for the year 1929. Curve No. 2 is an exact copy of the projected trend for stocks in strong position which led the advance. The charts of 30 Industrials and 20 Rails will show you how closely the Dow-Jones Averages followed my Forecast. Note how the Forecast called for the big decline which culminated in March and indicated bottom; how it advised buying for a big advance to last until August. Most stocks made top within a few days of the date forecast. You will see that the Forecast indicated September 3 as last day that stocks should be top and a big decline follow. On September 3, the Dow-Jones 30 Industrial stock averages reached the highest of the year and the highest in history, from which a big decline followed, as indicated in the Forecast.

Do you know of any other economic, investment or advisory service that was able to predict the 1929 stock panic one year in advance? My Forecast was based on my Master Time Factor and mathematical interpretation of the return of cycles. It was not based on guesswork or human judgment. If it had been, I would have been just as wrong as other people who guessed. You cannot afford to depend on guesswork when you are risking your money in the market. What others think makes no difference. You want to follow someone who knows. When you know the future, you have no fear and can trade with confidence.

My Annual Stock Forecast will help you to know when to buy and sell at the right time and will prove of great value to you. We have a chart reproducing my Annual Forecasts from 1919 to date and a comparison with the Dow-Jones averages, which we will be glad to send to anyone interested, also literature, testimonials and newspaper comments on the service. My Annual Forecasts on Grain, Cotton, Coffee, Sugar, Cocoa and Rubber have proven very accurate for many years.

1929 ANNUAL STOCK FORECAST



GENERAL OUTLOOK FOR 1929

This year occurs in a cycle which shows the ending of the bull market and the beginning of a prolonged bear campaign. The present bull campaign has lasted longer than any other previous campaign in the history of this country. The fact that it has run longer and prices have advanced to such abnormal heights means that when the decline sets in, it must be in proportion to the advance. The year 1929 will witness some sharp, severe panicky declines in many high-priced stocks.

The history of the stock market has always been that it discounts prosperity and that in doing so prices always advance too far. In other words, the stock market runs too far ahead of prosperity and the first decline is only a readjustment back to what stocks should sell according to their merit and investment return. Then, when business depression sets in and earnings start to show a falling off, stock prices continue to go lower, discounting unfavorable business conditions.

But such groups of stocks as the oils, sugars, rubbers and some of the agricultural stocks, which have been depressed and declined while other stocks advanced, will record much higher prices in 1929. New and popular industries will continue to prosper, such as, radio, airplane, chemical and electrical concerns. This is the electrical age. People take quickly to new inventions, especially those which provide for the convenience and comfort of living. This will increase the earnings of concerns manufacturing new electrical appliances.

Many stocks will be distributed and will work lower while the stocks in strong position work higher. With such a varied list of stocks representing so many industries in different parts of the country, it is not reasonable to suppose that they would follow the same trend by any means.

More and more business is getting into the lines of mass production, mergers and consolidation. The big companies are getting the business while the smaller companies find it harder to get business enough to return a fair amount on their capital stock.

During the early part of the year, business conditions will not be up to general hopes and expectations. In the Spring and Summer business will improve and the outlook generally will be cheerful. But again in the Fall of the year depression will set in and unfavorable business conditions will cause big declines in stocks. Money rates will be high the greater part of the year.

During the year 1928 the public have entered the stock market on the largest sale ever known in history. Foreigners have bought our stocks more than at any time since or prior to the outbreak of the World War. The American public is no longer making safe investments in stocks. They have the gambling fever and are buying everything regardless of price, simply buying on hope that stocks will continue to go up. This is a dangerous situation and has always resulted in a big decline. There will be no exception in this case.

The man who makes money buying stocks in 1929 will have to use greater discrimination than ever before in selecting the right stocks to buy. When once stocks have reached final top and start on the way down, they will continue to work lower and rallies will get smaller. Those who hold on and hope will have big losses. The markets will move over a very wide range and sharp, severe declines will be followed by quick rallies. It will be necessary most of the time for a trader to be very nimble and change position quickly in order to take advantage of the opportunities as they develop in an active market.

WHAT WILL CAUSE THE NEXT DEPRESSION IN BUSINESS AND DECLINE IN STOCKS?

Prosperity!—The great wave of prosperity which this country has experienced during the past few years has been in many ways responsible to the stock market. The great increase in the value of stocks has increased the borrowing power of various companies and has permitted expansion and even inflation. The pendulum has swung so far in one direction that many people have forgotten that it can ever swing back in the other direction, but one extreme always

follows another and it will not fail at this time. Stocks, like water, always seek their level.

The great earnings of many large corporations during the past year can not be expected to continue. Over-confidence is just as bad as extreme pessimism. It is just as easy for a big man to make a mistake as it is a little man. In my judgment many of the wisest speculators who have made large fortunes out of this bull campaign will overstay their market and be caught just the same as they have in the past. Then when the decline gets under way and they try to liquidate in a bear market, they will bring about a real smash in prices. It is one thing to mark stocks up to dizzy heights and quite another thing to be able to sell all of them near top prices. As stocks decline, forced selling both by pools and the public always comes into the market and causes prices to go lower than they naturally would if there had not been over-speculation. The public never has been considered good leaders in a bull market. The fact that they are now in the market in greater numbers than ever before makes the technical position of the market more dangerous.

Inflation.—The volume of trading on the New York Stock Exchange during 1928 was the largest in history and at this writing the total sales for the year have exceeded 750,000,000 shares and will approach 900,000,000 by the end of the year. Stock Exchange seats have had the greatest advance in history. Brokers' loans doubled in 1927 and 1928. Such enormous volume of trading at extreme high levels with feverish markets and wide fluctuations can mean only one thing,—that the pools and insiders have taken advantage of public buying to liquidate stocks and when once they have sold all they have to sell, they will not support the market. With the public so heavily involved in such large numbers and being unable to support the market, when once the decline gets under way, it will be more sharp and severe than ever before. Loans will be called and bankers will make new loans only on the very best security. We will hear of many stocks being thrown out of loans.

Another contributing factor to inflation was our large holding of gold but this has changed materially during 1927

and 1928 when more than half a billion of gold has flowed out to foreign countries and there are no prospects that it will not continue during the next few years.

Instalment Buying.—People are still living beyond their means and instalment buying continues on a large scale. We believe it will yet prove to be the greatest menace to business and to the prosperity of the country. When depression sets in and unemployment increases and people are unable to pay for goods which they have bought on a credit, buying power will be reduced and many companies will not only lose business but will lose money on goods sold on a credit.

Agricultural Situation.—Has been so unfavorable during the past few years that the Government has had to devise means to help the farmer and no doubt President Hoover will see that some law is passed to remedy this condition. However, we are in a cycle which is likely to produce crop failures or a series of small crops for some years to come. This will reduce the purchasing power of the farmer and help to bring about deflation in stocks.

Prosperity Complex.—The recent wave of seeming prosperity has been due to the psychological effect on people. They have watched stocks go wild in the past three years until they are hypnotized into believing that every concern and everybody is prosperous, but facts do not confirm it. During 1927 about 45 per cent of all concerns making income tax returns showed a loss in business and 1928 will not be much better. It is now a survival of the fittest. The small businesses are failing more every year. Conditions are changing so fast that many old firms are being forced out of business. Electricity and oil are taking the place of coal and wood. Automobiles supplanted the horse, and the railroads, despite the large increase in population and business, have not shown as great earnings as they did 20 years ago. Many industries have not been prosperous for some time. The textile, coal and agricultural industries have suffered. The oil situation has been bad until recently. The rubber industry has been demoralized by low prices. Sugar has been at low levels for the past two years. When people realize that prosperity is not general and confined to only a few lines, then they will have the "panic complex."

Public Confidence.—As long as the public believes that everything is all right, they will hold on and hope, but when public buying power has exhausted itself and the largest number of stock gamblers in history lose confidence and all start to sell, it requires no stretch of imagination to picture what will happen. When the time cycle is up, neither Republican, Democrat, nor our good President Hoover can stem the tide. It is a natural law. Action equals reaction in the opposite direction. We see it in the ebb and flow of the tide and we know that from the full bloom of summer follows the dead leaves of winter. Gamblers do not think; they always gamble on hope and that is why they lose. Investors and traders must pause and think, look and listen, and get out of stocks before the great deluge comes.

War.—Our great prosperity has caused jealousy throughout the world, and as conditions get worse in foreign countries, greed and jealousy will lead to war. It is the hungry dog that starts the fight. A study of the rise and fall of nations shows that when any country enjoys unusual prosperity for a long period of time, war is one of the main causes of the start of depression. While we hear a lot of talk about peace, the facts show that many of the leading foreign countries as well as our own country, are spending more money preparing for war than ever before in their history. When a man or a country is armed and gets ready to fight, he usually gets what he is ready for.

Foreign Competition.—Germany is rapidly coming back and competition for trade will be keener in the coming year. Many of the other foreign countries are making desperate efforts to regain their pre-war trade and will make progress along these lines, which will hurt our business.

INDUSTRIAL STOCKS

Main Trend or Major Swings

The Industrial Curve this year is based on the Dow-Jones' 30 Industrial Stock Averages. Previously the Dow-Jones' Averages, which are published by the *Wall Street Journal,* were based on 20 industrial stocks, but in the latter part of 1928, they changed from 20 to 30 and our Curve

is based on the 30 Industrial Stocks. The stocks now used in these Averages are: Allied Chemical, Am. Can, Am. Smelting, Am. Sugar, Am. Tobacco B, Atlantic Refining, Bethlehem Steel, Chrysler, Gen. Electric, Gen. Motors, Gen. Ry. Signal, Goodrich, Int. Harvester, Int. Nickel, Nash Motors, Mack Trucks, North American, Paramount, Postum, Radio, Sears Roebuck, Stand. Oil of N. J., Texas Corp., Texas Gulf, Union Carbide, U. S. Steel, Victor Tk., Westinghouse, Woolworth, Wright Aero.

From the low level in August, 1921, to the high level in November, 1928, the 20 Industrial Stocks recorded an advance of about 230 points, the greatest advance in history. The fact that these Averages advanced nearly 100 points during 1928 is unparalleled in history. This year is like 1906, 1916, and 1919, when such violent fluctuations were witnessed and large volume of trading took place, only to be followed the year after by a panicky decline.

The minimum between extreme high and extreme low during 1929 for the 30 Industrial stocks will not be less than 50 points and the maximum fluctuation may be as much as 90 to 100 points. This means that many of the high-priced stocks will fluctuate 150 to 200 points between extreme high and extreme low prices. The lower-priced stocks will move in a narrower range and will not make as much as the minimum between extreme high and low.

Most of the Dow-Jones' 30 Industrial Stocks will follow Curve No. 1 very closely. The high point for most of these stocks will be reached around January 12th. After that time prices should gradually work lower and the trend should be down until around March 28th to 29th, when bottom will be reached for another bull campaign. Many stocks will reach bottom around March 14th to 15th and remain in a narrow trading range until the bull campaign starts in April. When the advance gets under way, some stocks will reach top for the year in May, others in June and some of the others which are behind the market will reach final high in August as shown by Curve No. 1 and Curve No. 2. A large majority of stocks will not go any higher than the highs reached in the month of July. After July and early August,

the main trend will be down and some sharp declines will take place, prices working lower and reaching first bottom around September 27th to 28th. From this level follows a fair-sized rally and a trading market running into the early part of November. After that, the big bear campaign will get under way and stocks continue to work lower, reaching extreme low level for the year around December 23rd to 24th.

There are now over 1500 stocks listed on the New York Stock Exchange and often in one day over 800 different issues are traded in. Therefore, the 30 Industrials and 20 Rails do not always represent the main trend or curve of the market and many stocks will run in opposition to this trend. That is why I am giving you Curve No. 1 and Curve No. 2 on Industrial stocks.

Industrial Curve No. 2 represents the stocks which are in strong position and many of which are not included in the Dow-Jones' 30 Industrials. Many of these stocks have declined during 1928 and have been accumulating. They will advance while other stocks decline. Curve No. 2 indicates low around January 2nd followed by an advance up to January 31st; a decline to February 7th and high of next rally around February 15th. Then prices will work lower, making bottom around March 11th. Watch the stocks that make bottom at this time as they will be the ones to lead the advance. After the low in March, this Curve continues to work higher with only moderate reactions until high is reached around May 17th to 18th. From this top a bigger decline will take place. The last low is indicated around June 22nd. From this level the stocks which are in strong position and behind the market will gradually work higher, some of them reaching top during July while others will not reach final top until August 14th to 15th. After this top is reached heavy liquidation will start and prices will work lower from every rally. First decline culminates around September 30th; then a rally making top on October 2nd, followed by a decline to October 24th; then a final top around November 2nd to 4th, followed by a big decline, reaching bottom around December 18th to 20th; then a rally to the end of the year.

Below is a list of stocks in strong position which should follow closely Industrial Curve No. 2. They will be the best stocks to buy on reactions:

Ajax Rubber
Amerada
Am. Agri. Ch.
Am. Beet Sug.
Am. Bosch Mag.
Am. Brake Sh.
Am. Drug
Am. & For. Pr.
Am. Ship & Com.
Am. Steel Fdy.
Am. Sugar
Am. Woolen
Anaconda
Armour A
Assd. Dry Gds.
Austin Nichols
Barnsdall A
Beechnut
Bethlehem St.
Booth F.
Briggs
Cal. & Hecla
Central Alloy
Cerro de Pasco
Chandler Clev.
Chile Copper
Congoleum
Cons. Textile
Cont. Baking A
Cont. Motors
Cuban Am. Sug.
Curtiss Aero.
Davison Chem.
Dome Mines
Elec. Pr. & Lt.
Elec. Storage
Fisk Rubber
Foundation
Glidden
Goodrich
Goodyear
Granby
Gt. Nor. Ore
Gt. West. Sug.
Hupp
Indian Ref.
Inspiration
Int. Comb. Eng.
Int. Mar. Pfd.
Jones Tea
Kelsey Hayes
Kelvinator
Kennecott
Kresge, S. S.
Lago Oil
Loews
Loft
Lee Rubber
Lehn & Fink
Louisiana Oil
Mack Trucks
Magma
Mallinson
Maracaibo
Marland
Mex. Seab.
Mid-Cont. P.
Nat. Pr. & Lt.
Nevada Cons.
N. Y. Airbrake
Otis Steel
Packard
Panhandle
Pan Pete B
Park Utah
Pathe Ex. A
Phillips P.
Pillsbury Fl.
Reo Motors
Republic Iron
Reynolds Spg.
Royal Dutch
Shell Union
Simms Pete
Sinclair Oil
So. Porto Rico Sug.
Spicer Mfg.
S. O. of Calif.
S. O. of N. J.
S. O. of N. Y.
Sun Oil
Superior Oil
Tennessee Cop.
Texas Corp.
Texas Pac. C. & O.
Texas Gulf Sul.
Transcont. Oil
U. S. Rubber
U. S. Smelt.
Va. Car. Chem.
Ward Baking B
Warner Pictures
Westinghouse Elec.
White Eagle
White Motors
Willys Overland
Wilson & Co.
Worth Pump
Wright Aero
Yellow Truck
Producers & Ref.

The stocks given in the list below are the ones which have been distributed and are the best to sell short around the dates indicated for top on Curve No. 1. These stocks will have the greatest declines, especially in the early part of the year and again from August to December when a big bear campaign is indicated.

Allis Chalmers
Allied Chemical
American Can
Am. Intern'l
Am. Linseed
Am. Locomotive
Am. Radiator
Am. Smelting
A. M. Byers
Chrysler
Coca Cola
Cont. Can
Corn Products
Dupont
Gen. Electric
Gen. Motors
Hudson Motors
Houston Oil
Int. Harvester
Kroger
Mathieson Al.
Mont. Ward
Reynolds "B"
Sears Roebuck
Shattuck F. G.
Stewart Warner
Studebaker
Timken
Tobacco Products
Union Carbide
U. S. Ind. Alcohol
U. S. Steel
Vanadium
Victor Talking
Woolworth

RAILROAD STOCKS

Main Trend or Major Swings

The Railroad Curve is based on the Dow-Jones' 20 Railroad Stock Averages published by the *Wall Street Journal.* The issues used in these Averages are as follows: Atchison, Atlantic Coast, B. & O., Canadian Pacific, Ches. & Ohio, Rock Island, Del. Lackawanna & Western, Erie, Illinois Central, Louisville & Nashville, N. Y. Central, New Haven, Norfolk & Western, Northern Pacific, Pennsylvania, Pere Marquette, Southern Pacific, Southern Railway, Texas & Pacific, and Union Pacific.

From the low in June, 1921, to the high in November, 1928, these Railroad Averages advanced nearly 80 points. They have made the highest price in history, getting above the extreme high level recorded in 1906. The fact that they advanced into new territory in the latter part of 1928 shows the possibility of many rails which are in strong position going higher during 1929. But the fact that during prosperous times the railroads have been unable to earn an average of 6 per cent on their capitalization does not make them very attractive from a speculative standpoint. Only those which have merit and show large earnings will have very big advances during 1929.

The fluctuations between extreme high and extreme low during 1929 are not likely to be less than 20 points and the average may be as high as 30 to 35 points, which means that many high-priced stocks will fluctuate 50 to 75 points between extreme high and low.

The Rails as a rule follow the forecast trend better than the Industrials because they represent only one group of stocks while the Industrials represent fifteen or twenty different groups. The Dow-Jones' 20 Railroad Stock Averages are representative of the railroad group and most of the railroads will follow Curve No. 1 very closely, therefore it is not necessary to give Curve No. 2 this year.

Railroad Curve No. 1, you will notice on page 12, runs down from January 2nd and bottom is indicated around the 5th to 7th. Top for the month of January is indicated around the 15th and after this date the main trend is down,

prices working lower and reaching first bottom around March 9th to 11th and second bottom around March 28th to 29th. Accumulation should take place around this time and a bull campaign should start. First top is indicated around May 3rd to 4th; then a decline, followed by an advance with second top, possibly a little higher, around June 3rd. Then another decline and irregular market, reaching low level around June 28th and 29th. After that prices will work higher until around July 15th; then decline to the 22nd, followed by an advance to around August 8th to 9th, when final top on rails should be made for another big decline. After this top, prices will work lower from every rally. A big decline is indicated for September; another sharp decline in October, reaching bottom around the 23rd to 24th; then a rally running to around November 21st to 22nd followed by a decline to December 24th, when the 20 Rails will reach the lowest price of the year.

The following Rails are in the strongest position and should have the greatest advances at the times when the bull campaigns are indicated:

Atlantic Coast Line	Del. Lackawanna & W.	Missouri Pacific
Bangor & Aroostook	Erie	New Haven
Brooklyn Man. Transit	Gt. Northern Pfd.	Northern Pacific
Chicago Gt. Western	Hudson & Manhattan	Seaboard Air Line
C. M. & St. Paul Com.	Kansas City Southern	Wabash Common
C. M. & St. Paul Pfd.	Mo. Kansas & Texas	Western Maryland

The Railroad stocks given below are those which are in the weakest technical position; have had advances and show distribution. They will be the best short sales on rallies during the times that the Forecast indicates declines.

Atchison	Lehigh Valley	Pittsburgh & W. Va.
Baltimore & Ohio	Louisville & Nash.	Reading
Canadian Pacific	N. Y. Central	St. Louis & San Fran.
Chesapeake & Ohio	Norfolk & Western	St. Louis & S. W.
Rock Island	Pere Marquette	Southern Pacific
Delaware & Hudson	Texas & Pacific	Southern Railway
	Union Pacific	

POSITION OF THE VARIOUS GROUPS

With the large number of stocks now listed on the New York Stock Exchange representing the various industries

throughout this country and foreign countries, and as these different groups of stocks are affected by supply and demand and the varying conditions in the different parts of the United States and by events which transpire in foreign countries, it is impossible for them to all reach extreme high or extreme low on the same date or even in the same year or the same month. The different time element of the various stocks and groups of stocks will cause some to advance while others decline. Therefore it is well to watch the individual stocks. Watch those that make top in May, those that make top in June and those that make top in August. The ones that make top in the early part of the year and fail to reach higher levels in July or August, will be the ones to lead the decline, because they will have had longer time for distribution. Guard against selling short the late movers until they have had time to complete distribution. You will receive a list of stocks in strongest position and those in weakest position with the Supplement on the first of each month.

The Dow-Jones' 30 Industrial stocks are representative of the active industrials and most of them will follow the Industrial Curve very closely, but some of the individual stocks which are in strong or weak position will vary from this Curve and make tops and bottoms at different times. These special stocks and their position will be covered in the Supplements each month.

The New York *Herald Tribune* Averages on 70 stocks are a more active and reliable trend guide now than the Dow-Jones' 30 Industrials. I am giving the stocks used in these Averages because I will often refer to them in the Supplements issued on the first of each month during the year. The range of these 70 stocks between extreme high and low should not be less than 40 points and will probably reach as high as 70 to 80 points. They take in the representative stocks from the following groups:

COPPERS.—Am. Smelting, Anaconda, Cerro de Pasco, Calumet & Ariz., Greene Cananea, Kennecott and Tennessee Copper & Chemical.

EQUIPMENTS.—Am. Car & Fdy., Baldwin Loco., Gen. Ry. Signal, Pullman.

FOODS.—Am. Sugar Pfd., Armour & Co. of Del. Pfd., California Packing, Corn Products, Nat. Biscuit.

MANUFACTURING.—Allied Chemical, Allis Chalmers, Am. Can, Am. Radiator, Am. Tobacco, Burroughs Add. Machine, Chicago Pneumatic Tool, Coca Cola, Columbian Carbon, Eastman Kodak, Endicott Johnson, General Electric, Int. Bus. Machine, Int. Harvester and U. S. Rubber.

MOTORS.—General Motors, Chrysler Motors, Chrysler Motors Pfd., Jordan, Hudson, Mack Truck, Stewart Warner, Stromberg, Studebaker, White.

OILS.—Atlantic Refining, California Petroleum, Houston, Maryland Oil, Pan-American Pete "A", Pure Oil Pfd., Standard Oil of Calif., Standard Oil of N. J., Texas Company and Union Oil of Calif.

STEELS.—Bethlehem, Crucible, Gulf States, Sloss Sheffield, U. S. Steel, Vanadium.

STORES.—Gimbel Bros., Macy, Montgomery Ward, Sears Roebuck and Woolworth.

UTILITIES.—American Express, Am. Tel. & Tel., B'klyn Edison, Columbia Gas, Cons. Gas, Detroit Edison, Peoples Gas, Western Union.

A review of the above groups showing those in the strongest and weakest position will be sent with the Forecast or given in the Supplements each month.

IMPORTANT DATES FOR CHANGE IN THE MAJOR TREND

The following dates should be watched for important changes in the major trend of both Industrial and Railroad stocks. If any stock makes top or bottom around any of these dates, you can expect a reversal in trend, especially if there is a sharp decline or a sharp advance around these dates: Feb. 8th to 10th, March 21st to 23rd, May 3rd to 7th, June 20th to 24th, August 3rd to 8th, Sept. 21st to 24th, Nov. 8th to 11th, Dec. 20th to 24th. These dates are based upon a permanent cycle which does not change. Important tops and bottoms are made in many stocks every year around these times. Watch the stocks that reach extreme high or low levels around these dates.

DATES FOR ACTIVITY AND WIDE FLUCTUATIONS

The following dates indicate times when stocks will be very active and have wide fluctuations, making tops and bottoms. While all stocks will not make tops and bottoms around these dates, some of the most active ones will and if you watch the ones that turn around these dates, it will prove helpful in your trading:

January 5th to 7th, 12th to 15th, 18th to 24th.
February 9th to 12th, 20th to 22nd, and 27th to 28th.

March 10th to 11th, very important for change in trend; 21st to 22nd important; 28th to 29th another very important date for change.

April 3rd, 9th to 10th, 13th to 15th, 21st to 23rd.

May 3rd to 4th—watch stocks that make top around this date; 9th to 11th another important date when some stocks will make bottom and other stocks will make top. 22nd to 23rd and 29th to 31st—very important dates for change in trend; watch for stocks that will make top around this date.

June 1st to 2nd—quite important; 7th to 10th another important change; 21st to 23rd a more important change.

July 3rd to 5th—very important for change in trend; 9th to 10th also quite important; 21st to 24th more important.

August—One of the most important months for change in trend. Many stocks will start on their long down trend. 7th to 8th—quite important; 16th to 17th important; 23rd to 24th important; 29th to 30th of minor importance.

September 2nd to 3rd important; 16th to 17th important, should be bottom of a panicky decline. 21st to 24th important for top; 27th and 28th important for bottom of a big break.

October 2nd; 8th to 9th; 18th to 20th very important—watch stocks which start to decline and go with them; 26th to 28th minor importance.

November 10th to 22nd—a very important period for wide fluctuations. Airplanes, radio and some electrical stocks may have sharp advances. Other important dates for changes are 1st to 2nd, 17th to 19th, and 24th to 25th.

December 1st to 2nd important; 16th to 17th of minor importance; 23rd to 24th greater activity and of major importance.

The above dates are not only important for changes in trend and times when bottoms and tops should be reached, but on these dates important news is indicated and some will be of a sudden, unexpected nature, at times favorable and at other times unfavorable, but causing stocks to be active and fluctuate, making tops and bottoms and changing trend.

HOW TO TRADE WITH THE FORECAST

The time given for tops and bottoms is the most important factor for you to know and watch. It makes no difference about the price a stock is selling at. So long as you KNOW WHEN it will reach low or high levels you can buy or sell and make money. When the Forecast indicates bottom at a certain date and stocks decline, you should buy the ones given as in strong position or the ones we recommend buying and place a stop loss order 3 to 5 points away according to the price the stock is selling at. With stocks that sell at $200 to $300 per share, it is often necessary to use a

stop loss order 10 points away because you have an opportunity to make large profits and can afford to take a greater risk.

Watch the action of stocks around the dates when the Forecast shows that tops or bottoms are indicated and when they hesitate for a few days and fail to make new high or low levels, you should get out and reverse position. Keep up charts and follow the rules in my book, TRUTH OF THE STOCK TAPE, and you will be able to follow the Forecast to better advantage and make more profit.

Do not expect the Averages or individual stocks to advance or decline as many points as shown on the graph or Projected Trend. This is only a guide to show you when big swings and activity are indicated. For example: Industrial Curve No. 1 begins at "O" on January 2nd and runs down to "7" on January 5th to 7th, a decline of 7 points on Averages. Some high-priced stocks may decline 10 to 20 points at this time while other low and medium-priced stocks will decline only 2 to 5 points. While some stocks which are late movers and in very strong position will follow Curve No. 2 and move up during January at the same time that high-priced leaders decline, the main thing is that Curve No. 1 shows a sharp advance from January 5th to 7th up to January 12th and Curve No. 2 shows up trend all the month of January. Therefore you should watch for a decline and buy the strong stocks around January 5th to 7th; then watch for top January 12th to 15th, sell out and go short of the stocks which are in our short sale list. Then on January 30th, if there has been a big decline as shown by Curve No. 2, you should cover shorts and buy for a rally and if stocks advance to February 13th to 15th, watch for top, sell out longs and go short because Curve No. 1 indicates a big decline the last half of February and during March.

The big buying opportunity will come in March. Around March 10th to 11th and 28th to 29th, you should buy the best stocks to hold for the Spring bull campaign into late May. Both Curve No. 1 and No. 2 indicate a big decline from July and August to December, therefore from July and August you should play the short side and wait for ral-

lies to sell short rather than buy on breaks because the main trend will be down and you should never buck the trend but go with it.

Remember you must buy and sell at the right time regardless of prices. No matter how high stocks are, if they are going higher, you should buy. It makes no difference how low they are; if the trend is down and they are going lower, you must sell short and go with the trend. Take a loss quickly if you see that the Forecast is off or you have picked the wrong stock. Do not hold on and hope. Delays are dangerous. It is easy to make back small losses, but hard to regain big ones. Follow the rule—cut short your losses and let your profits run. Learn to act quickly. How much better to take action now than to trust to uncertain time. You can always get in the market again so long as you have money. New opportunities always come if you have patience and cash to take advantage of them.

1929 PREVIEW

JANUARY, FEBRUARY AND MARCH

While the new year opens under favorable conditions and you will hear much about great prosperity and the newspapers will be optimistic for the future, the bright outlook is likely to be clouded with war or complications in foreign countries. Trouble is threatened to the United States through Mexico or Japan. Peace pacts are likely to be broken. Spain and France will arouse opposition. Agitation over religion in some of the foreign countries will disturb peaceful conditions.

Great storms are indicated in the south and southwestern parts of the United States during the early Spring. Much loss and damage by fire. In March when President Hoover takes office, if some law has not already been passed, he will advocate having one passed to help the farmers. This will cause an advance in commodities and in turn help agricultural stocks. Airplane concerns will make rapid progress in the Spring and from a panicky depressed stock market in February and March, a Spring bull campaign will take place.

Steel business will be quite active. Electrical concerns will do a large business and there will be a boom in oil stocks.

APRIL, MAY AND JUNE

The Spring Quarter indicates unfavorable weather for starting crops. Storms and rains and danger of a tidal wave along the Gulf of Mexico. Commodity prices will advance and business in general will improve. A wild wave of speculation in oils, coppers, rubbers, sugars and airplane stocks will make this a very active period. Along in May or June foreign competition will begin to hurt business in some lines in this country. This will cause a depressing effect on stocks and they will decline.

JULY, AUGUST AND SEPTEMBER

During this period some of the foreign countries will prosper and we will have great competition to face. War or trouble with foreign countries is threatened. A very mixed market during this period with some stocks advancing while others decline. Speculation will shift from stocks to commodities on account of short crops. Foreign crops will be short in some of the countries. Storms and unseasonable weather will cause damage.

August will be marked by many electric storms and damage by fire. Some new discoveries will help chemical stocks around this time. Germany and France will make great strides in aviation.

September.—A great change in business conditions will set in around this time which will cause a severe decline in the stock market. Textile and woolen stocks will prosper and these will be among the last stocks to advance. During the months of April, August, September, and October, there is danger of war and trouble through foreign countries.

OCTOBER, NOVEMBER AND DECEMBER

Settlement of the debt question with France will again come to the front. Other countries will arrange some

favorable agreement in regard to trade which will cause business depression here. A great change in the business outlook will set in as we near the end of the year. Corporation earnings will show depreciation and be disappointing.

The month of October indicates some advance in mining stocks. The oil and sugar stocks will be among the last to advance around this time. During November the chemicals and oils will have a boom for a short time and make final top. In December foreign business with South American countries will be good, but we will have competition from some of the European countries.

MONTHLY INDICATIONS

JANUARY

The new year starts off under favorable conditions, but profit-taking will start and stocks will sell off sharply the first few days. Then good buying will appear and an advance will start. The oils, rubbers, chemicals, and airplanes will lead the advance, reaching top around the 12th to 15th. Around the 18th to 24th some rails, electrics and steels will advance. Some trouble in foreign countries, probably Germany or France, will have an unfavorable effect and will help to start the decline here. Watch for top; sell out long stocks and go short. Quite a decline will take place to the end of the month.

Industrial Stocks indicate extreme high for the month around the 12th to 15th; extreme lows around the 5th to 7th and 30th. Minor moves: January 2nd decline should start; 5th to 7th bottom of decline. Heavy buying should start around this time and a sharp advance should take place, making top around the 12th. 19th bottom of decline; 24th top of rally; then follows heavy selling and a sharp decline, reaching bottom around the 30th.

Railroad Stocks indicate extreme high for the month around the 15th; extreme low around the 5th to 7th and 30th. Minor moves: January 2nd top, when decline should start; 5th to 7th bottom for quite a rally; 15th top of strong

rally, when another decline should start; 21st bottom of decline; 24th top of rally. From this top a big decline should take place reaching low for the month around the 30th.

Dates to watch for change in trend: The dates marked "XX" are the most important and indicate a major change in trend. You should watch for important changes around these dates. The dates marked "X" only indicate minor changes in trend which will only last for a few days. January 5th–7th XX, 11th–12th X, 25th–26th XX, 31st X.

FEBRUARY

Business will fall off and we will hear some discouraging reports. The Federal Reserve Bank will make some change or threaten to curb speculation. There will be talk of new banking laws, which may be adverse to speculation. The general list of high-priced stocks will decline this month, although the market will be mixed. Sugars, rubbers and late movers will have some advances. The railroad, airplane, radio, and electric stocks will rally from every decline. Around the 12th to 13th of the month some of the oils, rubbers and sugars will be quite strong. The general list of old time leaders, however, will work lower from every little rally.

Industrial Stocks indicate extreme high for the month around the 13th to 14th and extreme low around the 28th. Minor moves: 1st to 4th advance; then follows a decline to the 8th, when bottom should be reached for another quick rally; 13th to 14th top, sell out and go short. Expect heavy liquidation and a sharp, severe decline reaching bottom around the 28th for a moderate rally.

Railroad Stocks indicate extreme high for the month around the 15th and extreme low around the 28th. Minor moves: 1st to 5th advance and make top for a moderate decline; 9th bottom of decline; expect quick rally in some rails, reaching high around the 15th, followed by a sharp decline making bottom around the 28th.

Dates to watch for change in trend: 9th to 12th XX; 19th to 20th XX; 23rd to 24th X, 28th X.

MARCH

Mr. Hoover will take the office of President of the United States this month and in the early part of the month there will be a demonstration in stocks and quite an advance, but it will not hold and a sharp, severe decline will take place in many stocks before the end of the month. Some trouble is likely to come up in connection with Spain or Mexico which will upset the market. Airplane stocks will be quite strong during the dates indicated for advances to take place. The oils, sugars and chemicals will hold up better than other stocks. Traction stocks will be strong and there is likely to be some development in connection with the subway fare which will cause an advance in New York traction stocks. The steels, motors, rails, and electrical issues will break during the early and latter part of the month.

Industrial Stocks indicate extreme high for the month around the 4th to 5th; extreme low around the 28th to 29th, although some stocks will reach low for the month around the 14th to 15th. Minor moves: 1st to 5th strong advance. The market will be discounting President Hoover's inauguration. A sharp decline follows, making first bottom around the 14th to 15th; then a quick rally in many stocks reaching top around the 20th, followed by heavy liquidation and a sharp decline to around the 28th or 29th when final bottom will be reached for another bull campaign. This is the time to buy the stocks in strong position as they will have sharp advances and work higher into the summer.

Railroad Stocks indicate extreme high for the month around the 4th to 5th; extreme low around the 9th to 11th and 28th to 29th. Minor moves: 1st to 5th strong market. Stocks behind the market will lead the advance. From the top around the 4th to 5th quite a sharp decline will take place, culminating around the 9th to 11th; then follows a moderate rally reaching top around the 16th; then another decline, making final bottom around the 28th to 29th when you should buy the stocks in strong position for an advance which will last into the early days of May.

Dates to watch for change in trend: 4th to 5th X; 10th to 11th XX; 16th X; 21st to 23rd X; 28th to 29th XX.

APRIL

The public will again come into the market on a large scale and there will be a wild wave of speculation, especially in the oils, coppers, rubbers, sugars and airplane stocks. The chemicals, airplanes and radio stocks will have rapid advances. Some action by the Government or law passed will cause a break which will run down to around the 15th. Money rates will be quite high. 16th to 30th, General news will be more favorable and stocks will have better advances. Foreign trade will increase, especially with the South American countries.

Industrial Stocks indicate extreme low for the month around the 12th to 13th and extreme high around the 20th to 22nd. Minor moves: 1st to 3rd top of quick advance; 12th to 13th bottom for another big advance; 20th to 22nd top of sharp rally; then follows a decline making bottom around the 26th to 27th when steels should be bought for another advance, running to the end of the month and continuing into May.

Railroad Stocks indicate extreme low for the month around the 10th to 11th and extreme high around the 20th to 22nd, although they will be quite strong and some will make higher just at the end of the month. Minor moves: 1st to 3rd–4th quick advance; then follows a moderate decline, reaching bottom around the 10th to 11th, when a sharp advance will take place, stocks running up fast and making top around the 20th to 22nd, followed by a reaction to the 25th; then a strong advance to the end of the month.

Dates to watch for change in trend: 2nd to 3rd X; 9th to 10th X; 13th to 15th XX; 21st to 23rd XX; 26th to 27th X.

MAY

This is a month for great activity in the stock market. We will hear some very bullish news about general business conditions. There will be some large combines, consummation of mergers; large financial deals will take place and there will be much talk of continued prosperity, all of which

will cause the public to buy stocks at the top. General news will be very bullish and stocks will fluctuate over wide ranges. Some stocks will reach high around the early part of the month and have a break around the middle of the month. There will be a boom in rubbers, sugars, oils, airplanes, radio and electrical stocks. These will be the leaders. Watch for top and sell out. Do not overstay your market as a big break will take place in June.

Industrial Stocks indicate extreme high for the month around the 29th to 31st and extreme low around the 9th to 10th. Minor moves: 1st to 4th quick rally, making top for a sharp reaction; 9th to 10th bottom of decline; buy for another sharp advance; 16th top of rally, but only for a minor reaction; 20th bottom of reaction. Stocks in strong position will have a rapid advance between the 10th and 29th. Watch for top around this time.

Railroad Stocks indicate extreme high for the month around the 3rd to 4th; extreme low around the 11th to 13th, although some issues will go to extreme high around the end of the month. Minor moves: 1st to 3rd strong market, making top around 3rd to 4th. Then follows a decline, making bottom around the 11th to 13th, followed by an advance making first top around the 25th for a moderate reaction to the 28th; then rally to the end of month.

Dates to watch for change in trend: 3rd to 4th X; 9th to 10th XX; 22nd to 23rd X; 29th to 31st XX.

JUNE

A sharp decline and heavy liquidation in many stocks is indicated for this month. There will be war in foreign countries or war rumors. Strikes at home as well as abroad. Crop news will be unfavorable. Storms or earthquakes on the southern border and in Mexico will do damage and help to unsettle the market. The outlook for the summer business will be very much mixed. One of the major cycles and time factors runs out this month and a very important change in trend is indicated. High-priced stocks will have rapid declines and many stocks will make extreme high for the year.

The tin, oils and agricultural stocks and also the chemicals will break badly after reaching top in the early part of the month. Motors will also decline sharply.

Industrial Stocks indicate extreme high for the month around June 1st; extreme low around the 22nd to 24th. Minor moves: 1st to 2nd advance and make top for a big decline; 10th to 11th bottom of sharp decline; then follows a moderate rally reaching top around the 17th, followed by heavy liquidation and sharp decline making bottom 22nd to 24th. From the 24th to the end of the month many stocks will have quite a rally.

Railroad Stocks indicate extreme high for the month around the 3rd; extreme low around the 10th to 11th and 28th to 29th. The rails will not move in a very wide range this month, except a few of the very high-priced issues. Minor moves: 1st to 3rd advance; 4th to 10th–11th sharp decline; then follows a moderate rally, reaching top around the 21st to 22nd followed by liquidation and lower prices, making bottom for the month 28th to 29th.

Dates to watch for change in trend: June 1st to 2nd XX; 7th to 10th X; 21st to 23rd XX; 28th X.

JULY

Another advance will take place this month and many stocks will have sharp rallies and reach the final high for the year. The airplane companies will prosper and their stocks will advance. Electrical and chemical stocks will also record sharp advances. Pools will rush up stocks as fast as they can to unload. The late movers will be brought into line while distribution is taking place in the old time leaders. Sugars and rubbers should have some sharp advances. A very important major time factor ends at this time and indicates the starting of a big prolonged bear campaign. Remember that the last high for the year will occur in many stocks. A great deluge and panicky decline will follow the top at this time, resulting in a "Black Friday" in September. There are likely to be some labor troubles and strikes in the west and south which will interfere with the business outlook.

Industrial Stocks indicate extreme high for the month around the 20th; extreme low around the 9th to 10th. Minor moves: 1st to 3rd strong market, making top for a quick decline; 9th to 10th bottom of sharp decline; then follows a rapid advance, making top on the 20th; decline, reaching bottom on the 22nd; followed by a strong market to the end of the month.

Railroad Stocks.—The rails will move in a comparatively narrow range this month. Extreme low is indicated around the 9th to 10th and 22nd; extreme high around the 15th. Minor moves: 1st to 3rd advance; then follows a decline making bottom around the 9th to 10th; a quick rally to the 15th; then follows a sharp decline reaching bottom on the 22nd, followed by an advance to the end of July.

Dates to watch for change in trend: 3rd to 5th XX; 10th X; 21st to 24th XX; 30th to 31st X.

AUGUST

A few of the late movers will advance this month and reach final high. Chemical stocks will be among the last to advance. The steels and oils will be strong for awhile and the sugars and rubbers will make final top. Unfavorable news will develop which will start sharp declines and the long bull campaign will come to a sudden end. Money rates will be high and final top will be reached for a big bear campaign. Stand from under! Don't get caught in the great deluge! Remember it is too late to sell when everyone is trying to sell. There will be electric storms which will cause damage to crops and heavy losses are indicated through fires.

Industrial Stocks indicate extreme high for the month around the 7th to 8th; extreme low 29th to 30. Minor moves: The first of the month starts in strong and prices run up fast reaching top around the 7th to 8th; then heavy selling will take place and a sharp decline will follow, bottom being reached around the 16th to 17th, but only for a small rally; 23rd to 24th top of rally, followed by heavy liquidation and lower prices, making bottom for the month around the 29th to 30th.

Railroad Stocks indicate extreme high for the month around the 8th to 9th, although some industrial stocks and rails among the late movers will hold up and not make top until the 14th to 15th as indicated on Curve No. 2. Extreme low for the month for rails indicated around the 30th to 31st. Minor moves: 1st, advance will start and prices will run up fast, making top around the 8th to 9th; then follows a fast decline, reaching bottom around the 20th to 21st followed by moderate rally to around the 25th; then a sharp decline making low for the month on the 30th to 31st.

Dates to watch for change in trend: 7th to 8th XX; 16th to 17th X; 23rd to 24th XX; 29th to 30th XX.

SEPTEMBER

One of the sharpest declines of the year is indicated. There will be loss of confidence by investors and the public will try to get out after it is too late. Storms will damage crops and the general business outlook will become cloudy. War news will upset the market and unfavorable developments in foreign countries. A "Black Friday" is indicated and a panicky decline in stocks with only small rallies. The short side will prove the most profitable. You should sell short and pyramid on the way down.

Industrial Stocks indicate extreme high for the month around the 2nd to 3rd; extreme low 27th to 28th. Minor moves: 2nd to 3rd top of moderate rally. Heavy liquidation will break out around this time. Unfavorable news will develop and a sharp, severe decline will take place, reaching first bottom around the 16th to 17th, but only for a small rally. 20th to 21st top of moderate rally followed by another heavy wave of liquidation, carrying prices down to extreme low levels around the 27th to 28th, from which level a moderate rally will follow.

Railroad Stocks indicate extreme high for the month around the 3rd; extreme low at the end of the month. Minor moves: 1st to 3rd advance. Liquidation will start around this time and a sharp decline will follow, carrying prices down to around the 16th–17th; then a moderate rally

on short covering with top around the 23rd–24th, followed by a sharp decline running down to the end of the month.

Dates to watch for change in trend: September 2nd to 3rd XX; 16th to 17th XX; 21st to 24th X; 27th to 28th XX.

OCTOBER

General business conditions will be getting worse and the country will suffer from the over-speculation. Money rates will be high and bankers will call loans, causing some sharp declines in stocks after rallies. The chemical, electrical and airplane stocks will hold up and have some quick rallies around the dates indicated for advances.

Industrial Stocks indicate extreme high around the 18th to 19th; extreme low around the 8th to 9th and 26th to 28th. Minor moves: October 2nd top of small rally from which a sharp decline will take place; 8th to 9th bottom of decline, when a better advance will take place, especially in the stocks in strong position; 18th to 19th top of rally. Stocks in weak position will have a sharp decline, running down to the 26th to 28th; then follows a moderate rally to the end of the month.

Railroad Stocks indicate extreme high for the month around the 10th to 11th; extreme low 23rd–24th. Minor moves: 1st to 4th decline and make bottom for a moderate rally; 10th to 11th top of rally; then follows a heavy wave of liquidation and lower prices making bottom around the 23rd to 24th, followed by a moderate advance to the end of the month.

Dates to watch for change in trend: 2nd to 4th XX; 8th to 9th X; 18th to 20th XX; 26th to 28th X.

NOVEMBER

The oils, chemicals and rubbers will have a final advance this month and make top for another decline. Business conditions will be growing more unfavorable. There are likely to be earthquakes in Mexico or California. This will disturb the stock market and depress business. This is the

month for war news from foreign countries and some great leader abroad will show his power. The latter part of the month is very unfavorable and some sharp declines will take place. But the airplane, radio and electrical companies and some of the rails will have an advance around the 10th to 22nd.

Industrial Stocks indicate extreme high for the month around the 2nd to 4th; extreme low around the 23rd to 25th. Minor moves: 1st to 4th advance and make top for a sharp, severe decline; then follows heavy selling and a sharp decline, reaching bottom around the 11th to 12th, but only for a moderate rally; 18th to 19th top of advance. From this level there will be another sharp, severe decline carrying prices down to low levels around the 23rd to 25th. Then follows a moderate rally to the end of the month.

Railroad Stocks indicate extreme high for the month around the 21st to 22nd; extreme low around the 27th to 28th. Minor moves: 1st to 2nd top of moderate rally; then follows a decline, reaching bottom around the 9th to 11th; then a quick rally, making top around the 21st to 22nd followed by heavy liquidation and a sharp decline, making bottom around the 27th to 28th.

Dates to watch for change in trend: 1st to 2nd XX; 11th to 13th X; 17th to 19th XX; 24th to 26th X.

DECEMBER

Our business in some of the foreign countries will increase. Speculation will shift from stocks to commodities. The U. S. Government is threatened with great opposition, if not danger of war. General business outlook will grow very much more unfavorable. Panicky declines in stocks will take place.

Industrial Stocks indicate extreme high for the month around the 2nd; extreme low around the 23rd to 24th. Minor moves: 1st to 2nd advance; then follows a sharp, severe decline and heavy liquidation with only small rallies indicated lasting one to two days, reaching extreme low

around the 23rd to 24th; then follows a quick rally reaching top on the 28th followed by decline to the 31st.

Railroad Stocks indicate extreme high for the month around the 2nd; extreme low around the 24th. Minor moves: 1st to 2nd advance; 3rd to 10th sharp decline, making bottom for only a moderate rally; 15th top of rally; then heavy liquidation and a decline running to the 24th; then follows a rally to the end of the month.

Dates to watch for change in trend: 1st to 2nd XX; 16th to 17th X; 23rd to 24th XX; 28th X.

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W. D. GANN.

November 23rd, 1928.

TIME FACTOR AND FORECASTING METHOD

After you have learned all of the rules laid down in TRUTH OF THE STOCK TAPE and WALL STREET STOCK SELECTOR and have learned how to apply them, I am sure you will agree that I have given you more than your money's worth in these books. You will then be ready for a post-graduate course and will probably want to know how to forecast according to my Master Time Factor, and determine the years when stocks will have big advances and reach final tops and also the years and the cycles when panicky declines are indicated.

I teach all of these rules with my complete Forecasting Methods, showing how to determine the major and minor swings according to the time element. I can teach you how to determine the wave lengths of different stocks so you will know about how many points they are going to advance when they go into new territory and about how many points they are going to decline when they break out of the zone of distribution. With my Forecasting Methods, you can make up a forecast for the average market one or more

years in advance and also make up a yearly forecast on individual stocks. Each stock moves according to its individual time limit and makes top and bottom at different times, because the vibration and wave length varies on the different stocks.

I teach Courses of Instruction on Cotton, Wheat, Corn, Oats, Rye, Lard, Coffee, Sugar, Cocoa, Rubber, Silk and other commodities, but I only impart these Methods to people who are willing to comply with my requirements. They are too valuable to be broadcast or put in the hands of people who cannot use them to advantage. Therefore, I only teach them to people who want them for their own use and do not intend to publish them or sell them to others. I will not teach my Forecasting Method to anyone unless I feel sure that they can make a success with it after they learn it. Some men cannot make a success with any kind of a method or rule. I would not take a man's money and teach him something that I did not think would benefit him.

The man who expects to succeed in speculation or investments must study and learn all that he can about the market. It has been well said, "Where knowledge begins, speculation ceases." Therefore, the aim and object of every man who wants to make success in speculation or investing should get as much scientific knowledge as possible and then he will be able to make profits.

W. D. GANN SCIENTIFIC SERVICE

My method of determining the trend of the stocks and commodity markets has stood the test of time. I have been in New York City for 22 years and have always done business under my own name. This Service possesses many superior advantages over other classes of service, because it has the one thing lacking in all other services—the *time element.* My discoveries of a Master Time Factor and the Great Cycle enable me to forecast markets years in advance. I do not depend on space charts based on space movements alone, because these would make errors and cause losses. I use volume combined with the proper time charts, which help me to determine the technical position of the stocks

much better and a long time before the statistical position is shown. Time tells on all things. The fact that I have been selling my Forecasts all over the United States and in many of the foreign countries for the past 15 years, proves that they are valuable, because people continue to subscribe to them year after year. Investors and traders are always willing to pay for what will help them to make a greater success. It pays to get the best scientific knowledge, because the best is always the cheapest in the long run and you cannot expect to get something good for nothing. Experience has taught me that the best way to help others is to show them how to help themselves, and if I can get subscribers to read my books and learn my Methods, they make a greater success following my Service.

Supply & Demand Letter.—The object of this Service is to give you valuable advice based on scientific methods and to show you how to help yourself. Only a fool makes mistakes without learning something. I have benefited because I have made mistakes in the past and made losses. I can show you how to avoid the mistakes that most of the traders make in Wall Street.

The Busy-Man's Service.—Many bankers, merchants, manufacturers, lawyers, doctors and business men in all walks of life have no time to study the market and do their own forecasting. Therefore, our Service provides expert analysis for the man who cannot find time to do it himself. The busy-man's service which we furnish is really a personal service. We supervise accounts, constantly watching your stocks, advise when to buy or sell specific stocks; write personal letters, and send telegrams when necessary, but you do your own trading. We do not buy or sell for anyone and will not handle discretionary accounts under any conditions. We have nothing to sell but Service.

Being out of the market and not buying or selling anything or handling any promotions, I can give you better expert opinion, based on mathematical science and my time factors, than any banker, broker or other service. To succeed we must keep subscribers making money. There can be no loss in good service; it is all pure gain. The more we help others, the greater we are benefited.

CHARTS ON STOCKS AND COMMODITIES

We keep up charts on hundreds of different stocks and are prepared to make up daily, weekly and monthly high and low charts on almost any stock with or without the volume of sales. These charts are very valuable for traders to study. Every trader and investor should have a chart on the stocks that he trades in. The charts that we make up are not blueprints, but are made by hand on cross-section ruled paper and can be continued. With these charts and the rules and methods given in TRUTH OF THE STOCK TAPE and WALL STREET STOCK SELECTOR, you will make a greater success.

Prices for making up charts:

Monthly high and low chart for three years................	$1.00
or ten years back for..................................	3.00
Weekly high and low chart for one year...................	2.00
or with volume..	3.00
Daily high and low chart for one month....................	2.00
six months or more at $1.00 per month or one year for....	9.00

We also make up charts on cotton and grain options and other commodities at the same prices.

HOW I FORECAST STOCK, COTTON, AND GRAIN MARKETS

Many people want to know what method I use to determine future indications on the markets. I keep charts of the various active stocks and also a set of averages. My charts are different from the charts kept by the average statistician because they are based on a discovery of my own. I have discovered a "time" factor that enables me to determine important tops and bottoms one year or more in advance. My Annual Forecasts on stocks, issued in December for ten years past, have proved remarkably correct.

I also keep special Time and Volume charts on stocks. My Volume charts enable me to tell when accumulation or distribution in stocks is taking place. By the "time" factor I determine in advance tops and bottoms of minor swings. I study each stock separately, as in all Bull markets some stocks are in a bearish position, while in Bear markets some few stocks are in a bullish position. To be correct one must study individual stocks, not averages. I also study each group of stocks separately, such as, Motors, Oils, Steels, Rails, and Coppers, as different groups are leaders in Bull or Bear cycles under different conditions. I determine the leading group by applying the "time" factor and study of Volume.

I am considered an expert tape reader and watch the ticker daily for indications of quick changes. The "Ticker Magazine" in 1909 said: "He is a gifted mathematician, has an extraordinary memory for figures, and is an expert Tape Reader. Take away his science and he would beat the market on his intuitive tape reading alone."

The Cotton and Grain markets can also be forecasted by this "time" factor, which enables me to tell when extreme highs and lows will be made, as well as the minor moves. I keep Time charts on commodities as no Volume of sales is published. After all the important thing for every trader to know is the day approximate high and low prices will be made. The price makes little difference so long as you know about when bottom or top prices will be reached.

SUPPLY AND DEMAND LETTER

I issue the SUPPLY AND DEMAND LETTER tri-weekly covering advice on Stocks. This letter advises you the best and most active stocks to trade in; tells when to buy and sell and about what prices. I also advise where to place stop loss orders.

There is only one way to determine price movements, and that is the way I do it,—by the study of SUPPLY and DEMAND and a TIME FACTOR. SUPPLY and DEMAND tell what everybody is doing; not one set of men or the public. SUPPLY and DEMAND show where the balance of power rests, and if the DEMAND from the public is greater than the SUPPLY from the so-called insiders, stocks advance, and *vice-versa*. But remember the public never run a market for very long, because they are not organized; have no leader and the final result is a collapse and loss. I study the market daily to determine a change in SUPPLY and DEMAND and to locate the balance of power, in order that my subscribers may get the benefit of big moves.

The average man who guesses what the market will do or follows inside tips, or so-called "real" inside information, loses all in the end. I tell you it is impossible to get inside information; only "fools and suckers" expect it. Do you suppose men who make markets are going to tell you when they buy and sell? They would be fools if they did. They have to buy from some one and when they want to sell they must find a buyer. Do not delude yourself; the insiders use every means possible to keep secret their operations.

A frequent mistake made by many people is to subscribe to my Market Letter for one month. The market may be in an accumulation or distribution stage and no big moves take place for the month; then they quit and criticize my letter. Remember I do not make the market; I only follow manipulation and when big moves are ready I get you in. If you follow my service long enough to get acquainted with

my methods, you will appreciate its value and become a permanent subscriber.

Another mistake people make is to subscribe for the letter, get a line on the future of the market, then discontinue their subscription, saying, "Oh, well, I know what the trend of the market is now, I don't need a letter." Then, suddenly I see a change in the market and advise my subscribers to sell out, and those who did not get my letter still hold and do not know the trend has changed; therefore, lose money and blame me.

People often write for my opinion on Baldwin, U. S. Steel, General Asphalt or some special stock. I judge the stock by the position of Time and Volume as it is today. If in a few days I see a large amount of Volume up or down, I change my position, so *it is not always what I think of a stock today, but what I am going to think of it later that counts.* That is why I issue a tri-weekly letter because the market changes and I can advise my subscribers to change their position and protect themselves against losses. If the market never reversed its trend, there would be no need of a tri-weekly letter.

People often write me and say "You were bearish on a certain stock at such and such a date; now in your tri-weekly letter you are bullish on it." My answer is "A wise man changes his mind, a fool never." The man who can change quickly when he sees a reason to do so is the man you want to follow, for he will protect you against losses. A bull-headed, stubborn man who holds on, hopes and ignores facts, will end in ruin. Go into the market to make money and be ready to change sides when the occasion demands it.

The subscription price of the SUPPLY AND DEMAND LETTER is $15 per month; three months $40; six months $75; or $150 per year—payable in advance.

In Friday's issue each week I give an outline of the market for the following week. This feature is invaluable to traders at distant points. The SUPPLY AND DEMAND LETTER is the only one that publishes such accurate advance information.

Price of the Weekly Letter alone $6.00 per month; $60.00 per year.

The Tri-weekly Commodity Letter is separate from the Stock Letter. It is issued every Monday, Wednesday and Friday, covering cotton, cottonseed oil, wheat, corn, oats, rye, lard, coffee and sugar. Weekly letter issued every Friday, covers the same commodities. Subscription rates same as Stock Letter.

TELEGRAPH SERVICE

For subscribers living at distant points who can not be reached by letter in time for the market next day, I have a special telegraph service. A code is furnished and telegrams sent collect, either by night message or fast day message. A telegram of 10 to 15 words gives all the advice necessary on stocks, cotton and grain.

Price of this wire service is $30.00 per month.

ANNUAL FORECAST ON STOCKS

My Annual Forecast on Stocks is issued in the month of December each year. This forecast gives the trend of stocks for the following year; gives dates each month when high and low prices will be made; tells when extreme highs or lows of the year can be expected; and also informs whether stocks are in a Bull or Bear cycle. This forecast is based on a "time" factor which I discovered. I have been able to forecast every important campaign for the past twenty years. Copies of Forecasts of recent years mailed free.

The price of the Annual Forecast is $100.00 per year. A Supplement is mailed to subscribers the first of each month.

ANNUAL FORECASTS ON COTTON AND GRAIN

In the month of December each year, I issue an annual Forecast covering Cotton for the following year. It contains a chart or projected curve which the Future Options should follow, and gives dates when high or low prices should be made. Price of the Forecast $100.00, including supplements issued once a month, or more often if necessary.

The Grain Forecast covers wheat, corn, oats, rye and lard.

Coffee, sugar and cocoa are combined in one Forecast.

The Rubber Forecast covers rubber futures.

The above Forecasts are $100.00 each.

We make up on request forecasts on silk, hides, burlap, jute and bags, and other commodities. Also make up Annual Forecasts on individual stocks on request.

SUBSCRIPTION RATES

Annual Stock Forecast $100.00 per year.

Annual Grain Forecast $100.00 per year.

Annual Cotton Forecast $100.00 per year.

Annual Coffee, Sugar & Cocoa Forecast $100.00 per year.
Supplements to all Forecasts are issued on the first of each month.

Tri-weekly Stock Letter $150.00 per year;
6 months $75.00; 3 months $40.00; one month $15.00.

Tri-weekly Commodity Letter $150.00 per year;
6 months $75.00; 3 months $40.00; one month $15.00.

Tri-weekly Stock and Commodity Letters combined $25.00 per month.

Weekly Stock Letter $60.00 per year; 6 months $33.00; one month $6.00.

Tri-weekly Stock Letter $60.00 per year; 6 months $33.00; one month $6.00.

Weekly Commodity Letter $60.00 per year;
6 months $33.00; one month $6.00.

Weekly Stock and Commodity Letters combined $10.00 per month.

Daily Telegraph Service, including Tri-weekly Letter $30.00 per month.
All messages sent collect in Private Code which is furnished free.

Telegrams on important changes sent collect to subscribers to the Annual Forecasts or market letters at the rate of $7.50 per month extra.

Personal Service $60.00 per month or $500.00 per year.

All subscriptions payable in advance.
The above subscription rates are subject to advance without notice.

"Wall Street Stock Selector," $6.00 per copy.

"Helpful Hints for Stock Traders," free to subscribers.

W. D. GANN SCIENTIFIC SERVICE INC.

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